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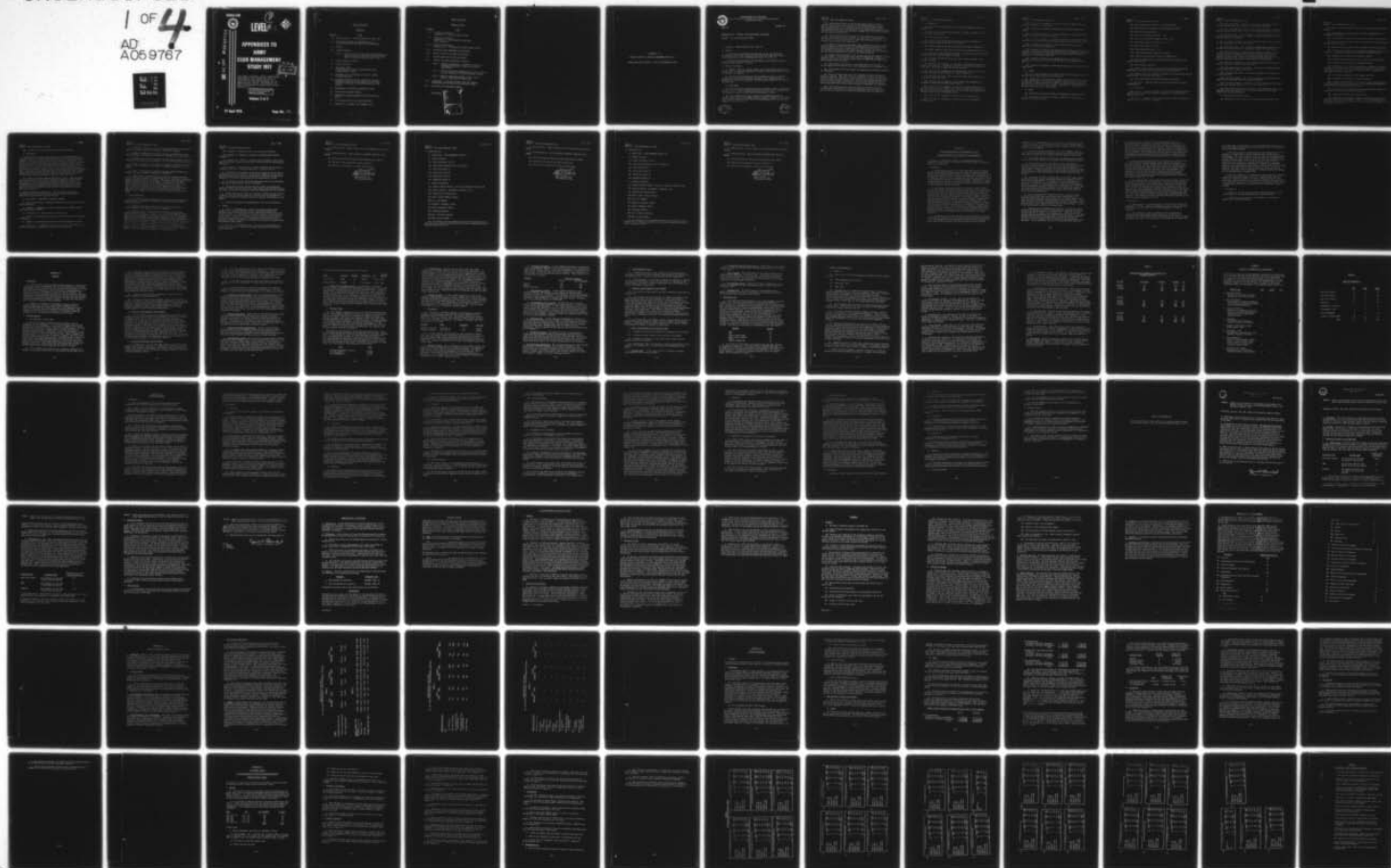
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ARMY CLUB MANAGEMENT STUDY 1977. VOLUME II. APPENDICES.(U)
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APPENDICES TO ARMY CLUB MANAGEMENT STUDY 1977



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APPENDIX 1 - A

PROJECT DIRECTIVE - ARMY CLUB MANAGEMENT STUDY 1977

(Memorandum, DAAG, 28 Mar 77, Army Club Management Study)



DEPARTMENT OF THE ARMY
OFFICE OF THE ADJUTANT GENERAL AND THE ADJUTANT GENERAL CENTER
WASHINGTON, D.C. 20314

DAAG-CMO

28 MAR 1977

MEMORANDUM FOR: DIRECTOR, CLUB MANAGEMENT DIRECTORATE

SUBJECT: Army Club Management Study

1. Reference: TAGO Regulation 1-53, 1 Nov 73.

2. Purpose:

a. Evaluate the operational effectiveness of the Club Management Directorate (CMD), TAGCEN since Vice Chief of Staff, Army (VCSA) approval of recommendations of the Club Management Study '75, 9 Jul 75.

b. Reassess the feasibility of establishing a club command system as directed by VCSA decision, 9 Jul 75.

3. Terms of Reference:

a. Problem. Determine if CMD, TAGCEN, the current management structure for DA staff and technical supervision of officer and enlisted clubs Army wide is effective and adequate.

b. Determine if conditions and the environment of today as compared to those that existed in Jul 75 are conducive to the establishment of a club command system (stove pipe) for the supervision, operation, and control of Army clubs.

b. Background:

(1) The Army contracted with Booz-Allen and Hamilton (BAH), a management consultant firm in 1971 to study nonappropriated funds (NAF), including clubs, for a determination of the best NAF/club management structure.

(2) BAH recommendations for a separate club command (concept) was tested against the classical command channel concept. Approval of recommendations resultant from that test led to the establishment of the US Army Club Management Agency (USACMA).



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(3) Congressional denial of appropriated fund support in 1973 for civilian pay and associated costs led to the disestablishment of USACMA and the establishment of the Club Management Directorate (CMD), TAGCEN. An assessment program was then initiated to tax installation club systems and the USAREUR Class VI Agency on alcoholic beverage sales to fund CMD personnel and associated operating costs.

(4) The Army Club Management Study '75, was conducted to verify the validity of the CMD management structure for Army clubs. Implementation of Vice Chief of Staff, Army approval of study recommendations, 9 Jul 75, has resulted in the current CMD organization.

(5) Office of Management and Budget (OMB), Department of Defense (DOD), Study of Appropriated Fund Support for Nonappropriated Fund Morale, Welfare and Recreational Activities is in progress. Some changes in criteria for authorizing appropriated fund (APF) support for clubs and other nonappropriated fund instrumentalities (NAFI's) are being considered.

(6) General Accounting Office (GAO) is also studying APF support to clubs and other NAFI's. As a separate study, GAO is verifying the accuracy of reported APF support for clubs and other NAFI's in DODI 7000.12 reports and DOD Demographic Survey Reports.

(7) Army efforts to establish a 16 division force will continue to curtail Army-wide TDA manpower spaces for redistribution to divisional TCE's.

(8) All programs of the Army budget are competing for sufficient priority for financing.

(9) History of Army clubs shows that clubs have adjusted to dramatic financial setbacks. Army clubs in Europe sustained the impact of the loss of income from slot machines in 73 and many returned to profitable operations within a 6-month period. Subsequently; however, club capital improvements have not been made and clubs in Europe are in need of renovation, modernization and replacement of facilities, furniture, furnishings, and equipment.

(10) The Army Audit Agency Advisory Report on clubs fixes somewhat the prevailing deficiencies in the operation of Army clubs and identifies positive actions taken by CMD, TAGCEN and commanders for club improvement.

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c. Objectives.

(1) Evaluate the effectiveness of the current management structure for Army clubs.

(2) Define and develop the organization, functions, staffing, and cost of a separate club command.

(3) Identify problem areas.

(4) Determine the ability of the current management structure and the club command structure to solve these problems.

(5) Develop a phased plan for implementation of study recommendations.

(6) Define staff and line relationships for the club command structure.

(7) Determine if the existing CMD staff is a viable nucleus from which an Army club command structure could be staffed.

(8) Determine the ability of the Army club system to finance a club command structure.

(9) Determine the viability of continuance of installation centralized services for clubs (i.e., accounting, personnel administration and procurement) under either CMD or Army club command structure.

(10) Determine if transfer of the club management mission to Army and Air Force Exchange Service (AAFES) is a viable alternative.

(11) Determine if under a club command structure clubs would continue to be a membership type NAFI.

(12) Identify and determine the system, policy and procedures for operation of clubs under a club command structure.

(13) Determine if it should be the role of the club command structure to also provide technical training and management advice and assistance to food and alcoholic beverage activities other than clubs (e.g., guest houses (transient billets) and rod and gun clubs).

(14) Determine the current level of APF support provided clubs.

(15) Determine the probability of discontinuance or curtailment of APF club support.

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(16) Determine the probable point in time when APF support for clubs would be discontinued or curtailed.

(17) Determine the impact of withdrawal or curtailment of APF club support.

(18) Categorize clubs based on their capability to sustain significant curtailment or withdrawal of APF support.

(19) Determine by degree of curtailment of APF club support offsetting adjustments that would be necessary and the scope and nature of such adjustments.

(20) Determine the availability of alternative staffing vice APF paid military and civilian personnel.

(21) Determine the legality and likelihood of continued use of APF paid military and civilian personnel either gratis or on a reimbursable basis during transition to an alternate organizational structure should APF support be withdrawn or significantly curtailed.

(22) Identify restraints on the administration, operation and surveillance of clubs that are not cost effective (e.g., Congressional, DOD, DA).

(23) Determine the accuracy of APF and NAF data base to be used in this study effort.

d. Limits.

(1) Those determinations made in BAH and Army Club Management Study '75 that are still valid in the current environment.

(2) Though the use of contractual services for management or operation of clubs is feasible, it will not be considered as a function of this study as initially, it would only provide a partial solution to this requirement and will take considerable time to study. Therefore, its applicability will be determined as a separate study effort.

e. Scope.

(1) Booz-Allen and Hamilton Study of Nonappropriated Funds and Clubs.

(2) Reorganization of Open Mess Program (ROMP) I and II tests and approved test recommendations.

DAAG-C:K

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SUBJECT: Army Club Management Study

- (3) OME/DOD Study Group findings and recommendations.
- (4) Status/results of GAO study of APF support for NAFI's.
- (5) Army-wide club operations.
- (6) TAG Army Club Management Study - '75.
- (7) TAG Class VI Profit Distribution Study - '76.
- (8) TAG Morale Support Activity Study - '76.
- (9) DODI 7000.12 Report - FY 76.
- (10) DOD Demographic Survey - '76.
- (11) MILPERCEN personnel reports and surveys.
- (12) Included in this project will be an analysis of:
 - (a) Organization, functions, staffing and cost of a separate club command organization.
 - (b) Cost avoidance programs.
 - (c) Installation centralized support services (central accounting, purchasing, contracting and civilian personnel administration).
 - (d) Administrative and statutory requirements impacting on the cost of doing business for the Army club system.
 - (e) Competing installation food and beverage activities.
 - f. Time Frame. Implementation plan will be prescribed in study recommendations.
 - g. Assumptions.
 - (1) Funding. Elements of expense and MPA for APF support for clubs will be discontinued or significantly curtailed not earlier than the beginning of FY 78.
 - (2) Impact. Reduction in APF support for clubs will be sufficient to require significant offsetting actions.

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(3) Military Strength. Military populations at individual installations serviced by Army clubs will generally remain constant in number.

(4) Need. Military communities need for food and beverage, entertainment, social and recreational programs from the installation will continue.

(5) Military Market. The availability of substantial off-duty time for military personnel will continue. Disposable income of military personnel will not fluctuate dramatically.

(6) Visibility. Current level of visibility of clubs will be continued or even increased by DA, DOD, and Congress.

(7) Universal Impact. All installation morale support activities will be affected by discontinuance or significant curtailment of APF support.

(8) Class VI Profits. Package Beverage Stores will continue to be operated on Army installations and clubs will continue at this time to receive current level of funding from package beverage store profits generated by Army clubs. However, such funding may decrease in FY 79 to provide funding for installation morale support activities (MSA).

(9) Influence. Administrative and statutory policies will continue to increase the cost of doing business for clubs.

(10) HQDA Supervisory Club Staffing. Military TDA manpower authorizations of CMD will be reduced in FY 78/79.

(11) Civilian Staff of CMD. CMD civilian employees will continue to be paid from NAF's.

(12) Club Loan Program. The club loan program of the Army Club Fund (ACF) will be continued under any management structure.

(13) Assessment Program. Clubs will continue to finance DA club staff and technical training and management assistance efforts.

(14) Offset for Reduction of APF Support. Any significant reduction of APF support for clubs will require offsetting actions that will impact dramatically on club operations.

h. Essential Elements of Analysis.

(1) Effectiveness of the current management structure for Army clubs.

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(2) Ability of the management structure to cope with current unsolved problems.

(3) Practicability of implementation of study recommendations in a reasonable period of time.

(4) Relationship of staff to line for separate club command structure.

(5) Viability of CMD staff to serve as a nucleus from which Army club command could be staffed.

(6) Ability of the Army club system to finance an Army club command.

(7) Viability of continuance of installation centralized services for clubs (i.e., accounting, personnel administration and procurement).

(8) Viability of transfer of club mission to AAFES.

(9) Viability of continuance of clubs as membership organizations.

(10) Adequacy of club operational management system.

(11) Practicability of either club management structure to provide technical training and management guidance and assistance to guest houses (transient billets), rod and gun clubs and other NAFI's operating food and alcoholic beverage activities.

(12) Continuing availability of APF support for clubs.

(13) Probability of reduction of APF club support.

(14) Legality and likelihood of clubs being authorized continued use of APF personnel during the transition to a more self-sustaining posture should APF support be significantly reduced.

(15) Restraints on the administrative operation and surveillance of clubs and cost effectiveness of such restraints.

(16) Impact of reduction of APF club support.

(17) Availability of alternate staffing vice APF paid and civilian personnel should APF club support be reduced. Also, the availability of additional NAF and civilian staffing as may be required by establishment of a separate club command.

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SUBJECT: Army Club Management Study

(18) Accuracy of APF and NAF data base used for the study.

i. Environment.

(1) Operation of an Army-wide club system in a peacetime environment with sufficient flexibility to provide club service in combat zones during conflicts. Under the current organizational structure installation commanders operate clubs under policies established by Headquarters, Department of the Army under the technical supervision and executive and financial management of CMD, TAGCEN. Commanders and club managers are not competent in all cases to insure effective member oriented club programs providing best balance of product, service, and cost while operating on a self-sustaining basis. Clubs are business entities; they are more vulnerable and sensitive to social and economic factors than other mission activities of the Army. Clubs are under continual scrutiny by Congress, GAO, DOD, and DA.

(2) Forces that Impact upon the Management of Clubs. Club management is currently being reviewed by the Director of Management, DAIG, GAO and TAG. Actions of the Army to reduce military staffing of TDA units are continuous, e.g., the 16 division force concept, reduction of the number of officers by 2,000 in 1980 and most recently, the plan for 1, 3 and 5 percent reduction in officer strength all have high potential impact on the Army club system.

4. Support and Resource Requirements. The study group will require information and/or copies of completed reports, surveys, and studies from other elements of the Army, DOD and OCLL.

a. PES, TAGCEN. DODI 7000.12 reports by MACOM's.

b. AAFES Liaison Office. Briefing on AAFES and its planned involvement with commissaries.

c. HQ AAFES. Indication as to their receptivity to transfer of the Army club mission to AAFES.

d. TAG Comptroller. Information on GAO operations.

e. HQ TSA. Briefing on the development and evolution of the commissary organization.

f. DCSPER. Cost effectiveness of installation CPO support to clubs.

g. TIC/AAA Audit. Information as to degree of club audit effort that can be anticipated in programed and subsequent fiscal years.

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h. HQ USAFAC. Status of automation and costs related to installation NAF accounting and copies of installation DODI 7000.12 reports.

i. DCSOPS. Confirm projected troop strength and redeployment plans and information concerning documentation of a proposal for a club command.

j. OMB/DOD Study Group for Appropriated Fund Support for MWR Activities. Information and reports on their progress and milestones leading to decisions.

k. OCLL. Information on the mood of new Congress concerning continued financing of club support despite OMB/DOD's impending proposal, i.e., DODI 1330.2.

l. TJAG. To interpret the propriety of paying CMD DA staffers (as compared to those involved in operations) from APF's.

m. Study group is comprised of CMD military and civilian personnel. The cost of their salaries is programed and will not constitute an increased funding requirement for CMD operations. ADP support will be utilized in the financial analysis incident to the study. As requirements for ADP support have not yet been defined, they cannot be costed. Such costs will be addressed, however, at the time of approval for funding. There will be TDY costs incident to travel associated with team efforts. Those costs that cannot be funded from programed resources will be addressed as a separate action and included as a part of the cost of the study.

5. Study Methodology:

a. The current management organization will be analyzed to determine its capability to implement outstanding recommendations and to solve unresolved problems.

b. Information resultant from this review and analysis will be evaluated against each essential element of analysis.

c. An analysis will be made of FY 76 financial results of each installation club system. The income statement of these activities will be adjusted to show increased expenses, by element of expense, in amounts equivalent to APF support received during the fiscal year. An adjusted income statement will be produced showing adjusted expenses and profit/loss. The percent of each element of expense and profit/loss will then be compared to predetermined maximum relationships to total income/revenue. Variances will be computed. In all instances where the computations indicate negative net income, a straight line computation will be made to determine the period of time that the club's fund could sustain such a loss. Based on net income, clubs would then be assigned one of four categories:

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- (1) Category I - Self-sustaining, need no special attention.
 - (2) Category II - Marginal, can achieve self-sufficiency without assistance.
 - (3) Category III - Critical, can only achieve Category I or II status with extraordinary actions, and intensive technical training and management assistance.
 - (4) Category IV - Irretrievable - Cannot be sufficiently improved in reasonable time frame to preclude insolvency - should be closed.
- d. An analysis of the number and the range (high/low side) of data in each category will be evaluated to determine the magnitude of the problem and actions that should be taken without delay to intensify management of Category II, III and IV clubs during the interim period to "D" day.
 - e. The results of these initial determinations will then be evaluated in relation to the essential elements of analysis.
 - f. Should such analysis indicate that the current club management structure cannot, without adjustments, cope with the magnitude and scope of the status of the Army club system, then such adjustments will be identified.
 - g. Should such analysis indicate a need for a different organizational structure, then alternative management structures will be developed and analyzed in relation to essential elements of analysis established for that purpose.
 - h. Initial conclusions and recommendations will then be determined.

6. Phases:

- a. Phase I - Determination. Analyze the current organizational structure, its strengths and weaknesses, unresolved problems, the exterior forces that impact upon policies and operations and the organization's capability to be managed and to operate adequately in the dynamics of the current environment. Should the current organizational structure be considered incapable, even with modifications, of coping with club management problems, then full consideration will be given to establishment of a separate club command.
- b. Phase II - Implementation Plan. Based on the recommendation and TAG approval of Phase I, commence definition and design of the organizational structure.

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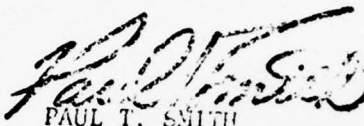
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SUBJECT: Army Club Management Study

d. Project Format. Project format will be determined by the Project Manager.

e. Action Documents. Action documents resultant from this study effort:

- (1) Revised Letters of Instruction for Club Operating Budgets.
- (2) Changes to Army Regulations 210-65 and 230-60.
- (3) Others to be determined by study recommendations.



PAUL T. SMITH
Major General, USA
The Adjutant General

28 MAR 1977

DAAG-CMO

SUBJECT: Army Club Management Study

7. Administration:

a. Study Title. Club Management Study '77.

b. Project Schedule.

- (1) Study commenced 1 Mar 77.
- (2) Anticipated completion date is 30 Apr 77.
- (3) First IPR 30 Mar 77.
- (4) Second IPR 14 Apr 77.
- (5) Third IPR 21 Apr 77.
- (6) Completion 30 Apr 77.

c. Control Procedures.

- (1) Project Control Officer: COL Lee C. Dickson, Director, CMD.
- (2) Project Sponsor: BG Donald W. Connelly, ETAG.
- (3) Composition of Study Group.

COL John H. Batts, Project Manager

MAJ F. W. Lee, Member

Mr. Richard D. Belgrano, Member

Mr. John W. Najarian, Member

(4) Steering Committee.

COL Lee C. Dickson, Chairman

LTC Paul E. Wise, Member

(5) All exchanges of correspondence concerning this project will be initiated by the Project Manager and will be routed through and responses received through DAAG-TCP.

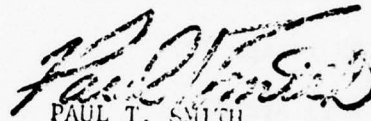
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PAUL T. SMITH
Major General, USA
The Adjutant General

3A

APPENDIX 3-A

THE RANDOLPH-SHEPPARD ACT AMENDMENTS OF 1974

THEIR APPLICATION TO AND IMPACT ON CLUB OPERATIONS

1. Purpose. To examine the impact of the Randolph-Sheppard Act Amendments of 1974 (Title II of Public Law 93-516) on past, current and future club operations.

2. Background.

a. The Randolph-Sheppard Act of 1936 established the blind vending machine program and gave preference to the blind in operating vending facilities on Federal property. Based on a review of the operation of the vending stand program in 1974, Congress determined that the program had not developed and had not been sustained in the manner and spirit in which it was intended at the time of the Act's enactment. Additionally, it was determined that the growth of the program had been inhibited by a number of external forces and that the potential existed for doubling the number of blind vendors on Federal property.

b. The original Randolph-Sheppard Act related to vending stands; however, the amended act refers to vending facilities. A vending facility has been defined as "automatic vending machines, cafeterias, snack bars, cart service, shelters, counters and such other appropriate auxiliary equipment which may be operated by blind licensees and which is necessary for the sale of newspapers, periodicals, confections, tobacco products, food, beverages and other articles or services dispensed automatically or manually and prepared on or off the premises in accordance with all applicable health laws, and including the vending or exchange of changes for any lottery authorized by state law and conducted by an agency of a state within such state." For the purpose of assigning vending income, a vending machine is considered a coin or currency-operated machine which dispenses articles or services. Those machines providing services of a recreational nature and telephones are not considered to be vending machines.

c. To provide for the continued vitality and expansion of the blind vending machine program, in 1974, Congress amended the Randolph-Sheppard Act. This amendment included comprehensive new authorities designed to ensure that blind persons who have been licensed by state licensing

authorities are afforded priority in the operation of vending facilities on Federal property. When the blind licensee or state licensing agency chooses not to operate the vending facilities, mandatory profit sharing is required by the amendment.

d. The profit sharing requirements in the 1974 amendment require a percentage of vending machine income on military installations be paid to state licensing agencies for the blind under circumstances as follows:

(1) One-hundred percent of net income from vending machines considered to be in direct competition with blind licensee operated facilities.

(2) Fifty percent of net income when no direct competition is involved and blind licensees do not operate the vending machines, except that only 30 percent of net income will be paid when the machine is located where 50 percent of the hours worked are during other than normal working hours. ("Normal working hours" are defined as an eight-hour work period between the approximate hours of 0800 to 1800, Monday through Friday.)

(3) Individual locations, installations or facilities whose vending machines net income is less than \$3,000 annually are exempted from the profit sharing requirements. "Individual location, installation, or facility" is defined as a single building or a self-contained group of buildings. For two or more buildings to be considered a self-contained group of buildings, they must be located in close proximity to each other and a majority of the Federal employees located therein must regularly move from one building to another in the course of official business during the normal working day.

e. The Act provided that "satisfactory sites" for blind vending facilities be provided where new construction or modification of a building involves more than 15,000 square feet of interior space or will house more than 100 Federal employees during normal working hours. When these criteria are not met, the requirement to provide a satisfactory site does not apply. Also, the provisions of the Act apply wherever DOD will be renting, leasing or otherwise occupying space.

f. Although the 1974 amendment was effective 2 January 1975, final implementing regulations were not published by the Department of Health, Education and Welfare (HEW) until 23 March 1977. During the two-year interval between the passage of the amendment and publication of the final implementing regulations, DOD made several concerted efforts to persuade HEW that military clubs and other morale, welfare and recreational activities should be exempted from the profit sharing requirements of the amendment. It was argued that Title 10 of the United States Code vest

the military service secretaries with responsibilities for, and requisite authority necessary, to conduct the various affairs of the military services, including the functions necessary or appropriate for the welfare of the service personnel involved. DOD further argued that vending machine income has been one of the major sources utilized over the years to generate the nonappropriated funds necessary for the welfare of service personnel. HEW rejected the arguments and took the position that an amendment or statutory clarification is required to exempt military clubs and other NAFI's from the vending machine profit sharing requirements.

g. HEW regulations implementing the Act establish an effective date of 2 January 1975 for vending machine profit sharing and requires quarterly payments. DOD has issued instructions to the military departments to ensure that all NAFI's which earn income from vending machines set aside an appropriate amount from all such income generated after 23 March 1977 to meet expected liabilities under the amendments. The Department of the Army has initiated legislative proposal to obtain legislative relief for NAFI's from the income sharing requirements. Additionally, Congressman Whitehurst has introduced remedial legislation in the 95th Congress (H. R. 709).

h. Army installations in the United States were surveyed to ascertain the effect of the Act upon club operations. Forty-five of 84 installations surveyed reported. Fifty-three percent reported vending machines under concessionaire contract with annual net income under \$3,000. Nine percent reported no machines and 33 percent only reported no liability under the Act. Two installations reported liability. Fort Dix NCO Branch reported annual vending machine net income of \$8,082 during FY 76. There was a potential 30 percent liability to the state blind agency amounting to \$2,425. Fort Belvoir NCO Branch reported annual vending machine net income of \$4,711 during FY 76 with a potential 30 percent liability to the state blind agency amounting to \$1,413.

3. Discussion.

a. There appears to be minimal impact on net income of clubs by the provisions of the Act. However, compounded by other actual and potential legislation, it could serve as yet another impediment to financial stability.

b. The provisions of the Act requiring capital expenditures to accommodate the blind vending machine program in construction and renovation plans cannot be accurately ascertained as the extent of capital improvements is based on the variables of club financial performance and

local demographic considerations. It is anticipated that the cost will accelerate commensurate with an anticipated acceleration in the Army club capital improvement program.

c. The Study Group has considerable doubt that Congress will vote an amendment to exempt NAFI's from the vending machine income sharing requirements. This doubt is based on the fact that the House passed the 1974 amendment by a vote of 340 to 65 and the Senate by a unanimous vote. Although President Nixon vetoed the bill, his veto was overridden in the House by a vote of 398 to 7 and in the Senate by a vote of 90 to 1. Additionally, the appropriate committees of Congress were completely cognizant of the DOD position concerning the loss of income by NAFI's as a result of diverting vending machine income to the blind. Since this is an emotional issue and a vote to restrict income for the blind would be difficult and unpopular for many members of Congress, chances for passage of such legislation are considered slim.

d. The 1974 amendments, as implemented by HEW regulations, could have a significant and costly impact on military clubs and other NAFI's if there is no legislative relief. The loss of vending income for other installation, morale, welfare and recreational programs could also result in a significant reduction in the distribution of package beverage profits currently being distributed to clubs which would be diverted to these programs.

4. Conclusions.

a. Effect on club net income resulting from implementation of the 1974 amendments to the Randolph-Sheppard Act appears minimal.

b. Legislative relief from the 1974 amendment to the Randolph-Sheppard Act is highly improbable.

4A

APPENDIX 4-A

TRAINING

1. Background.

a. Prior to 1971, the only formal training available to club managers was a basic 7-week Club Management Course (CMC) conducted by the US Army Quartermaster School, at Fort Lee, VA. The course was designed to provide MOS training for awarding of a skill identifier to enlisted military personnel, and as an introductory course for officer personnel. The majority of students attending the course was Air Force (95% AF, 5% Army). This situation continued until the period of the Booz, Allen and Hamilton (BAH) Report in 1971, when CSA Memo 71-230-57 directed the scope and depth of Army club management training be expanded. At that time, the course make-up reverted to primarily Army attendees.

b. DCSPER is responsible for individual training of military personnel Army-wide. AR 10-41 assigns TRADOC responsibility for conducting MOS producing courses including the Club Management Course (CMC). The Training Branch, Training and Assistance Division, CMD, TAGCEN, serves as the point of coordination with TRADOC, DCSPER AND MILPERCEN on all training matters pertaining to Army clubs.

2. Training Courses.

a. Club Management Course (CMC).

(1) The CMC is 7 weeks in duration and is the basic course of instruction in club management. It is an MOS producing course for MOS 00J50 with entry at the E6 level. The course is taught at Fort Benjamin Harrison, IN. During FY 77, seven courses are being conducted. As of 26 Aug 77, 68 officers, 8 WO, 100 NCO, and 13 civilians had actually graduated via six courses. From FY 68, to date, 2,143 students (758 OFF, 161 WO, 1,149 EM, 75 CIV) have completed the CMC. Based on TRADOC FY 76 projected costs, the total cost of training a student in the basic CMC is \$1,550, exclusive of travel and per diem. Although the CMC is under the direct control of TRADOC, CMD maintains close liaison with the course instructors. CMD coordinates with TRADOC on the course POI and subject matter to ensure that the information provided will prepare students for managerial positions. Additionally, CMD has provided and continues to provide support and assistance regarding the course as follows:

(a) Guest speakers and instructors on a regularly scheduled basis. TAGCEN cost to provide this service is approximately \$2,000 (OMA) per FY.

(b) Assistance in the revision of the current POI which separates the course into three competency areas to provide more flexibility for personnel attending the course in PCS status and to make it feasible for installations to send first-line supervisors to the course for specific segments. The revised POI provides for three instructional blocks of approximately 2 weeks duration as follows: Phase I, Management and Administration (2 weeks, 3 days); Phase II, Financial Management (1 week, 3 days); Phase III, Food and Beverage Management (2 weeks, 4 days). Personnel are permitted to start the course at any particular phase or they may attend a specific phase, as training needs dictate. Previously, PCS personnel who missed the start of a course were held as long as eight weeks, waiting for the next course.

(c) Annually reviews training projections to ensure that they reflect realistic training requirements.

(d) Arranges to take the club management course to the overseas commands in response to their unique training requirements. Four overseas courses have been conducted (three in Europe and one in Pacific) with 253 graduates. Beginning in FY 77, specialized training of non-00J MOS personnel assigned to USAREUR clubs is being conducted by the CMD's European Region in lieu of taking the CMC overseas.

b. Executive Club Management Course (ECMC).

(1) In 1975, DCSPER approved the establishment of an Executive Club Management Course under the direction and funding of TAGCEN. The course is conducted under contract with Florida International University. Instructors are provided by the contractor, with augmentation by HQDA personnel. The course differs from the CMC in that it is taught at the advanced level and attendees must have a minimum of three years club operating experience. The course is four weeks in duration and graduates receive 15 quarter hours (10 semester hours) college credit. As part of the POI, students are exposed to a number of outstanding restaurants in the Fort Lauderdale/Miami area through field trips, extensive on-the-job training in a selected restaurant, and a marketing case study. Five courses have been conducted to date (one in 75, two in 76, two in 77) each one graduating 30 students. One additional course will be conducted in CY 77 with a projected output of 30 additional students.

c. Civilian Club Manager Intern Program.

(1) By HQDA letter, 30 June 1976, HQDA announced the Civilian Club Manager Intern Program. The program is designed to provide the Army club system with a source of professional, well-trained, and highly motivated civilian managers through the recruitment of recent graduates of hotel and restaurant management schools.

(2) Under this program, two interns, grade UA-7 were hired in Jan 77. The interns are undergoing training which consists of: 2 weeks orientation at CMD, TAGCEN; 7 week attendance at the basic CMC; nine months on-the-job training at Redstone Arsenal; 4 weeks with a CMD training and assistance team; and 2 weeks at CMD prior to placement in the club system. A comprehensive OJT manual has been developed to complement the program.

(3) In July 1977, one additional intern was hired and is currently undergoing OJT at Fort Carson, CO. A fourth intern will be hired in Feb 78.

(4) A detailed analysis of the intern program will be conducted during FY 78 to determine if the program will be continued. The intern program is funded by the Army Club Fund (ACF) at the total cost of \$67,444.

d. Training with Industry (TWI). TWI is a program developed in 1973 on a gratuitous basis with the Hyatt Hotels and the Greenbriar Hotel. Selected club managers were sent OJT for 60 days with one of these hotels to gain experience by working with the civilian sector of the hospitality industry. Four individuals participated in the program. On 24 January 1977, the DCSPER approved TWI as a formal program, beginning in October 1977. The first participant under the formal program will report to HERCO, Hershey Park, PA in October 1977. As the program director, TAGCEN selects the participants from officer, warrant officer, and noncommissioned officers nominated by MILPERCEN.

e. Continuing Education. During 1974, a continuing education program was established by CMD to provide specialized training to assigned personnel, utilizing short courses offered by various associations and academic institutions, i.e., Cornell University, Culinary Institute of America. Participation in this program is based on individual requests and approval by the Director, CMD. Evaluation of the need and worth of the requested training is made during the approval process.

f. Advanced Educational Requirements. AR 621-1 and AR 621-108 prescribe policy for establishment of positions which require graduate level civilian education. CMD, TAGCEN has received approval for 14 positions requiring graduate degrees in Hotel & Restaurant Administration. Since 1974, eight officers have been selected for this schooling.

g. Chef Refresher Course. As a result of a training profile analysis conducted by CMD in January 1976, it was determined that a majority of Army club chefs and cooks lacked formal culinary training. This program was initiated by TAGCEN in August 1976 to upgrade the food program in Army clubs. Two courses were conducted under contract, one at Purdue University with 25 chefs attending, and one in Heidelberg, West Germany with 24 chefs attending. Contract costs for both courses and travel/per diem costs for the CONUS course were borne by the Army Club Fund.

Cost data for the two chef courses were as follows:

<u>DATES</u>	<u>LOCATION</u>	<u>STUDENTS</u>	<u>CONTRACTOR</u>	<u>COST</u>	<u>COST PER STUDENT</u>
15-21 Aug 76	CONUS	25	Purdue U	\$ 7,800	\$312
29 Aug-5 Sep 76	USAREUR	24	La Varenne	13,441	\$560

h. Armed Forces Culinary Course. As a successor to the Chef's Refresher Course, in October 1976, HQDA agreed to participate for one year with the Navy and Marine Corps in this newly developed course. Designed specifically to upgrade the culinary skills of chefs, cooks, and food managers in military clubs, the course is conducted at the Patuxent Naval Station, Patuxent, MD. It is planned that 10 two week classes will be conducted each calender year. The Army's quotas for 1977 were seven for the first three courses and five for the remaining courses. The total cost (including start up cost) for conducting the course in 1977 is approximately \$29,000 which will be borne by the Army Club Fund (ACF). As of 23 August 1977, three courses have been conducted with 18 Army club personnel attending.

i. Training Films.

(1) CMD, TAGCEN is developing a series of training films addressing specific club management problems. Most of the industry training films in the area of internal controls are considered too general in nature to satisfy Army needs. The first film, completed in July 1975, deals with beverage management and addresses the internal control procedures essential for effective beverage operations. Because the majority of discrepancies noted in USAAA audits have dealt with beverage mismanagement, it was considered appropriate that the first training film should deal with this subject. Copies of the film have been distributed to the regional film libraries and are available to managers.

(2) Production has started on a seven part food control film. Part I has been completed and distributed to the regional film libraries. Filming of Part II was completed in April 1977 and distribution started in July 1977. The TAGCEN films are shown in conjunction with CMD technical training and management assistance visits and as part of the CMC and ECMC POI. Additionally, the films are used by the Navy and Air Force. As of 23 August 1977, there have been over 75 individual club requests for these films. Cost data (OMA) for film production is as follows:

<u>FILM</u>	<u>COST</u>
Beverage Management (3 parts)	\$5,000
Food Management I	\$1,800
Food Management II	\$1,750

j. Programed Text. Another training project that CMD, TAGCEN developed is a self-instructional text on club related regulations. The primary purpose of the text is to provide the club manager with a single source document for use in regulatory education. Additionally, since the text includes a testing procedure, CMD is provided a means by which it can measure the degree to which club managers know and understand regulations. The texts were printed in three volumes: Vol 1, Management and Administration; Vol 2, Financial Management; Vol 3, Personnel Management. Contract costs (OMA) for development and printing of the text was \$38,440. The texts were mailed to management personnel at each installation. Additionally, the texts are used in the course of instruction at CMC. As of 23 August 1977, over 300 mastery exams, completed by club managers, have been returned to CMD. Comments from the field regarding the text have been highly complimentary.

k. Workshop Program. In 1973, TAGCEN negotiated a contract with Joseph B. Gregg and Associates to conduct a number of one and two day food and beverage management workshops in CONUS and overseas. Fifteen workshops were held, with 625 managers attending. The total contract cost paid from OMA funds was \$50,000. The subject matter concentrated on methods of increasing sales. This program was continued into 1975, when the format was changed to that of the present training sessions.

1. DA Seminar.

(1) As part of a continuing program to keep managerial personnel abreast of club management policy and innovations, TAGCEN held two worldwide seminars in 1973 and 1974. The seminars were held at Cornell University. The subject matter was presented by CMD personnel and guest lecturers from Cornell and industry. The number of attendees and cost of the seminars are as follow:

<u>LOCATION</u>	<u>DATES</u>	<u>ATTENDEES</u>	<u>COST OMA</u>
Cornell University	21-23 Sep 73	125	\$8,000
Cornell University	23-25 Sep 74	110	\$8,000

(2) Various seminars and workshops have been conducted by TAGCEN since 1973. The subject matter has ranged from methods to increase sales to a continuing program to keep managerial personnel abreast of club management policy. The seminars were generally contracted with APF (OMA) funds. This program was curtailed in FY 75 due to DA imposed restrictions on TDY funds.

m. Training Sessions. As a continuation of the workshop program, CMD conducts various training sessions in CONUS and overseas. The program is structured to address specific club operational problems. The subject matter may vary from financial management to meat procurement. The instruction is provided by CMD personnel and contract instructors, as applicable. As of 1 August 1977, over 450 club management personnel have participated in the various training sessions.

n. Training Film Library. In 1973, TAGCEN established a training film library consisting of 16mm color films showing highly skilled professionals demonstrating specific skills. Prints were distributed to the regional and field offices. Currently, there are over 52 separate films available to club managers for use in conducting inhouse training. Usage figures for FY 76 and 77 are as follows:

<u>LOCATION</u>	<u>INDIVIDUAL REQUESTS</u>	
	<u>FY 76</u>	<u>FY 77 (23 Aug)</u>
Eastern	185	186
Europe	312	343
Western and Korea	233	308

o. Book Reference Library. In 1973, TAGCEN established a book reference library. The library is used primarily by CMD assistance personnel for research in preparation for technical training and management assistance visits to installations. Over 400 books are maintained in the libraries at CMD, TAGCEN and its regional and field offices. Estimated cost of the reference library is \$7,000 (OMA).

p. Correspondence Course Program. The American Hotel and Motel Association has provided a series of ten courses leading to a certificate in Food and Beverage Management. In 1972, CMD authorized the use of club funds to defray the cost of the course for those club managers who desired to participate in this program. To date, over 156 have enrolled for at least one of the subcourses. CMD receives quarterly reports from AH&MA on the status of each student. Requests to enter the program are sent to CMD. The cost of each subcourse is \$36.00.

q. Training Brief. In 1974, CMD began development of a series of training briefs to assist the club manager in establishing and conducting a continuous employee training program. The briefs are intended for use by branch managers, annex managers, and first-line supervisors in training skill-level employees. Through August 1977, 61 briefs have been distributed. Surveys conducted by CMD indicate the briefs are widely used by club managers.

r. On-The-Job Training. The majority of OJT is accomplished in conjunction with technical training and management assistance visits conducted by CMD regional and field offices. The assistance visits are supported by material published by the Training Branch, CMD. The material may be carried directly to the installation by a team or sent to the installation upon request from a library maintained at each CMD region.

3. Training Program Evaluation: The two prime objectives of each training program are to increase knowledge and to improve performance. The effectiveness of each training program in terms of these objectives is measured through an evaluation process which includes student testing, course critiques, after action reports, and follow-up observation by CMD T&A personnel. Example of various techniques used are:

a. Club Management Course.

(1) Students are tested at the completion of each major block of instruction to determine their knowledge, understanding, and retention of the subject matter. A total of eight examinations are administered.

(2) Upon completion of the course, students are requested to complete the course critique sheets. These critique sheets are reviewed by the course director in order to identify improvements that can be made in the POI and the method of instruction.

b. Executive Club Management Course (ECMC).

(1) Five tests are administered, one upon completion of each block of instruction.

(2) Each Saturday during the course, the students are asked to list those innovative ideas they could implement in their clubs based on knowledge gained from the week's instruction, OJT exercises, and field trips. Ninety days after completion of the course, the students are asked to provide information regarding the implementation status of their innovative ideas. This provides a means by which HQDA can measure the impact the ECMC has had on the individual in terms of increased performance or change in club operations. CMD, TAGCEN is provided copies of the innovative ideas submitted by students for purposes of followup. Additionally, a summary of innovative ideas is published in the Army Host so that other club managers may share in the educational experience of the ECMC.

(3) On the last day of the ECMC, a course critique session is held to enable CMD to obtain immediate feedback from the students for evaluation purposes. Additionally, 90 days after completion of the course, students are requested to complete a detailed critique sheet.

c. Chef's Course/Armed Forces Culinary Course.

(1) Students are tested upon completion of each block of instruction.

(2) A course critique is held on the last day of the course.

(3) Students are requested to list those areas in which they can improve food service operation.

(4) Additionally, ICM's are requested to provide an evaluation of the individual's performance over a 60 day period after completion of the course.

d. Training Films. A film usage report is utilized to evaluate effectiveness of this training program.

e. Workshops/Seminars/Training Sessions. Evaluation of these training programs is based on critique sheets, testing where appropriate, and after action reports.

f. Intern Program. The effectiveness of the intern program will be evaluated upon completion of the first year. The interns are tested on their acquired knowledge at the CMC and will receive three evaluations during the intern year. The evaluation will be prepared by the training supervisors and CMD program coordinator.

g. Correspondence Course. Students must pass an examination to earn credits for completion of the correspondence course. Test results are reviewed by CMD.

h. Programed Text. The effectiveness of the programed text is measured by review of the mastery examinations and comments submitted to CMD by students participating in this program.

4. Training Survey.

a. A training profile was developed for all club management personnel in early 1976. This was accomplished by a questionnaire (HQDA Ltr 230-76-1, Jan 76). The purpose of the questionnaire was (1) to establish a basic characteristic profile of Army Club managers; (2) to establish a data base from which specific training recommendations could be made; (3) to identify problem areas; and (4) to develop training programs or initiate actions to correct problems. Based on information compiled from the questionnaire, TAGCEN made over 900 specific recommendations to installation commanders on training of individuals assigned to the club system. These recommendations ranged from attendance at Executive Club Management Course to enrollment in a correspondence course in food and beverage operations. Additionally, where it was indicated that an NCO was working in a club position but did not hold the MOS 00J, he/she was urged to apply for entry into the Enlisted Club Management Career and Development Program. Individuals trained based on recommendations are shown below:

<u>PROGRAM</u>	<u>TRAINED</u>
ECMC	90
CMC	39
Chef's Course (EUR)	6
Chef's Course (CONUS)	22
AH&MA	1
Special USAREUR CMC	49

b. As a result of this effort, some progress has been made, however, it is minimal in relation to the total training recommendations made. As an example, 277 persons were recommended for attendance at CMC based on the training profile. As shown above, only 39 have attended. The training output compared to authorized vs assigned strengths for FY 75 through August 1977 is reflected in Figure 1.

5. Analysis and Discussion.

a. General

(1) Since FY 68, 2,450 club management personnel have been trained via the:

- (a) Club Management Course (2,143)
- (b) ICM Course (187)
- (c) ECMC (120)

(2) Although this is a significant training output, it does not greatly reduce the continued training requirement. Attrition, retirement, the professional development of officers under OPMS, and other administrative actions have contributed significantly to the loss of trained, experience club management personnel. As an example, data reports as of 15 August 1977 indicate 195 officer authorizations and assigned strength of 169. Of the 169, 124 are trained and 45 are untrained.

(3) As of November 1976 there were 225 trained experienced officers on active duty. Sixty-nine were not being utilized in club management positions or control specialty code 43.

(4) On 24 March 1977 CMD provided MILPERCEN a listing of trained officers to be utilized in club management assignments. These officers were not reassigned to club positions. The inability to utilize trained club management personnel impacts directly on training efforts and mitigates against the development of a corps of well-trained club management officers.

(5) Regarding noncommissioned officers, as of 15 August 1977, 87 untrained noncommissioned officers were performing duty in club management. The utilization of untrained officers and noncommissioned officers in club positions, coupled with a high turnover rate (an average of 20 months) impact adversely on the maintenance of continuity of club operations. Although conditions have somewhat improved, the present situation is not much different than the conditions that existed prior to 1971. Additionally, it indicates a lack of effectiveness in the monitorship role of CMD to substantially improve the personnel management and utilization of military personnel.

(6) Comparative totals of authorized, assigned and trained strengths for FY 75, FY 76, and FY 77 are shown at Figure 1. The analysis shows that assigned strength continuously exceeds the number of authorized personnel.

b. Formal Training (CMC/ECMC). Although revisions of the POI have improved both courses and added flexibility, it appears that additional

updating may be required. An analysis of course content was conducted to measure the amount of time spent on topics which have been found to be common deficiencies in club operations by CMD, USAAA, and the DAIG. A table showing the eight major areas of deficiency is shown at Figure 2. The chart in Figure 3 indicates the amount of time devoted to these areas in both the CMC and ECMC. The analysis shows that less than 25 percent of the available training time in either course with a broad spectrum to cover in 7 weeks, it would be difficult to increase emphasis on problem areas. However, the ECMC is more flexible and additional time could be programed for discussion of repetitive problems.

c. Skill Training (Advanced Food Management/Armed Forces Culinary Course). The necessity for this program is borne out by the training profile which showed that the majority of individuals in these skill positions had no formal training or had not received any refresher training in a number of years. The projected cost of approximately \$250 per student (exclusive of travel) is considered to be well within the range of cost effectiveness.

d. Correspondence Courses. To date, over 156 individuals have enrolled in at least one subcourse of the AH&MA series. However, records do not indicate that any individual assigned to the club system has completed the entire series and received certification. It appears that many managers take a course covering an area of perceived weakness and then withdraw from the series. If this is true and the club system receives benefit through improved procedures, the cost of \$36 per subcourse is minimal.

e. Programed Text. This document has not been in the field long enough for meaningful evaluation. However, because of its direct application to Army procedures and its potential for upgrading knowledge of regulations, it appears to have substantial merit. The cost to produce the three volumes was \$38,000.

f. Intern Program. Though still in its first year, which precludes objective evaluation, this program appears to offer the club system an opportunity to inject new life into its management structure. The program is competitive in recruiting talent from colleges but its future will be doubtful unless a viable career program, with upward mobility can be established.

g. Advanced Civil Schooling. This program is extremely worthwhile in its objective but the criteria for selection should be evaluated. At present no requirement exists for prior experience in the hospitality field, but all the designated positions for utilization of graduates are in the T&A Division of CMD. Consequently, a person with no club experience may receive the training, report to CMD for utilization, and face a credibility problem in performing onsite assistance. The system also may tend to neglect proven club managers in favor of newcomers who may have good records, but no experience in this highly specialized field.

h. Training With Industry. The exposure of high quality military club managers to a period of on-the-job training in civilian industry is valuable to the club system and the individual. In addition, the program is economical for the Army and does not impose a strain on club personnel through long periods of time away from their duty assignments. The 60-90 day training period can be granted as TDY enroute to new duty assignments. The criteria for selection of personnel for participation should be defined and publicized, and the program should be accelerated.

i. Continuing Education/Seminars/Workshops. These informal training vehicles are valuable in that selected topics can be presented in a short period at minimum cost to the Army or the club system. In addition to CMD sponsored sessions, civilian organizations such as Club Managers Association of America (CMAA) and National Restaurant Association (NRA) have an annual program of worthwhile, 2 to 3 day workshops throughout CONUS. CMD should encourage participation in these programs through publicity and information letters to commanders. CMD sponsored workshops should continue, on a regional basis, with more emphasis on common problems and deficiencies (see para 5b). Maximum use of CMD staff for instructors, as opposed to contract speakers, would ensure more relative and beneficial instruction while simultaneously reducing costs.

j. Training Films. This effort has proven worthwhile in that subjects and presentation can be oriented to Army club management needs. Regulatory provisions, as well as commonly accepted business procedures, can be stressed, especially in CMD produced films. More aggressive use should be made of this training aid through use by TT&MA teams as a standard part of each visit. The conduct of an employee training session by CMD personnel would be a benefit to the club employees concerned and also serve to show management how to conduct training.

k. Training Briefs. These publications cover a wide spectrum of subjects which can be very useful to management. Unfortunately most clubs do not have complete sets of those published to date which raises doubt as to whether they are being used as intended. The cumulative content of the briefs could be a valuable basis for a standard, Army club operations manual.

6. Conclusions. CMD has an aggressive, multi-faceted training program which is ongoing and flexible. Maximum benefit can be realized from the program through more emphasis on instruction to correct repetitive operating deficiencies, and establishment of employee training programs at installation level.

FIGURE 1

TRAINING OUTPUT COMPARED TO AUTHORIZED AND
ASSIGNED STRENGTHS

<u>FY 1975</u>	<u>AUTHORIZED</u>	<u>ASSIGNED</u>	<u>TRAINED</u>	<u>%</u>
Officer	76	179	115	64
Warrant	120	134	115	86
Enlisted	459	576	365	63
	<u>655</u>	<u>889</u>	<u>595</u>	<u>67</u>
 <u>FY 1976</u>				
Officer	105	204	107	52
Warrant	140	138	138	100
Enlisted	595	612	385	63
	<u>840</u>	<u>954</u>	<u>630</u>	<u>66</u>
 <u>AUG 1977</u>				
Officer	195	169	124	73
Warrant	69	96	96	100
Enlisted	655	696	609	88
	<u>919</u>	<u>961</u>	<u>829</u>	<u>86</u>

FIGURE 2

ANALYSIS OF RECURRING CLUB DEFICIENCIES

The following eight major subject areas are recurring club deficiencies which have been addressed by the technical training and assistance teams of CMD, in 258 visits during calendar year 1976. This table shows the commonality of subject areas between observations made by CMD and those made by the US Army Audit Agency in the Advisory Report to Field Commanders (Report HQ 77-A1 JAN 77) and the results of the special inspection of Army Club Management by the Inspector General in Nov 76.

<u>SUBJECT AREA</u>	<u>CMD</u>	<u>USAAA</u>	<u>TJC</u>
1. Food Cost Control (Recipes, Menu Pricing, Inventory procedures, guest check control)	x	x	
2. Bar Cost Control (Cash control, inventory procedures, portion control, cost/price relationship, sales accountability)	x	x	
3. Labor Cost Control (Employee mix, scheduling, overtime control, income/cost relationship, administrative and departmental staffing guides)	x	x	x
4. Budgeting (Development, execution plan, review & analysis, adjustments)	x	x	x
5. Management Information System (Annex, Branch, ICM)	x		
6. Procurement - NAF (Requirements, specifications, cost estimate, sources, lead time)	x		x
7. Stock Management (Card or file maintenance, reorder points, minimum & maximum stock levels, order & shipping time, inventory turnover rates)	x		x
8. Control of Fixed Assets (Accountability, identification inventory process, reconciliation)	x	x	x

FIGURE 3

HOURS OF INSTRUCTION

	<u>CMC</u>	<u>ECMC</u>	<u>TOTAL</u>
Food Cost Control	12	6	18
Bar Cost Control	13	6	19
Labor Cost Control	11	4	15
Budgeting	16	9	25
Management Info System	1	1	2
Procurement - NAF	4	3	7
Stock Management	6	6	12
Control of Fixed Assets	<u>2</u>	<u>1</u>	<u>3</u>
TOTAL	65	36	101

4-B

Appendix 4-B
Military Personnel

1. Background.

a. Army club management military personnel deficiencies were documented in five previous studies and are synopsized below:

(1) In 1970, a study conducted by the Continental Army Command (CONARC) found the open mess management system inadequate in both numbers of personnel and management skills.

(2) This finding of the CONARC study was substantiated by a 1971 Booz-Allen and Hamilton study which recognized the shortage of qualified management personnel as the single most critical problem facing the Army club system and recommended formal career fields be established to attract and retain military and civilian club managers.

(3) A 1975 US Army Audit Agency report supported the personnel findings of prior studies and further recommended TAG continue emphasis towards identifying and validating club management positions and to fill such positions with qualified personnel.

(4) In 1976, The Inspector General (IG) reported that the shortage of quality personnel was adversely affecting efficient Army Club operations. The IG recommended The Adjutant General Center (TAGCEN), in conjunction with the Military Personnel Center (MILPERCEN), establish procedures to assign qualified NCO's for the club management specialty and attempt to dispel negative preceptions of the club career field.

(5) Based on TIG findings, the Vice Chief of Staff, Army directed an independent study of the Army club system in 1977. This study also found personnel problems. Apparent repetitive, successive assignments for club management specialty officers, regardless of other primary or alternate Officer Personnel Management Specialty (OPMS), appeared to be detrimental to officer career development. The VCSA study group also concluded that the use of military personnel in clubs appeared to be a "marginally effective use of authorized military manpower." A recommendation of the study for HQDA to conduct a study of the feasibility of maximum civilianization of installation club system management positions was approved by the VCSA in May 1977.

b. Since 1970, the Army has taken positive and continuing actions to improve the quality and professionalism of club management military personnel. A separate club management career field has been established for officers, warrant officers, and enlisted personnel. Diversified training programs as outlined by appendix 4-A have been established to provide

club management personnel the knowledge and skills required to enable them to perform as professionals. Club management personnel requirements have been recognized and validated as TDA authorizations. In spite of these and many other accomplishments as delineated herein, problems continue to exist in the use of military personnel in the club management program.

2. Discussion.

a. Staffing.

(1) DA PAM 570-551 provides guidance for staffing of installation club systems.

(2) DA PAM 570-551 is considered an adequate source document with which to estimate initial personnel requirements for an installation club system. However, it is only a guide and provides for personnel staffing based on a 40-hour work week using average monthly gross sales of the club system as the only criterion. Actual installation club system staffing requirements can only be established by a manpower survey that examines all facets of a particular system to include: sales, protocol requirements, number of annexes and their geographical configuration, additional activities to operate such as swimming pools and golf courses, level of the headquarters located on the installations, etc.

(3) Fluctuation of authorizations in the past 3 years has resulted in MOS 021A being overstrength. This has necessitated involuntary reclassification actions for approximately 25 club management warrant officers. Due to the reclassification action and the relatively small number of club management warrant officers now authorized (70 as of June 1977), the viability of the club management warrant officer career field was adversely affected.

(4) In December 1976, HQDA requested MACOM's to reevaluate staffing criteria for officer branch manager positions. HQDA recommended that these positions be converted to warrant officers rather than commissioned officers and/or enlisted positions. MACOM responses indicated that beginning FY 78, a total of 13 additional officer branch manager positions would be converted to warrant officer positions.

(5) In April 1977, a DCSPER study group recommended that all club management warrant officer positions be converted to civilian or enlisted positions. This proposal was forwarded to MACOM's for coordination and responses received indicated that MACOM's concur in conversion of only 29 of the 81 warrant officer positions identified.

(6) Large variances in club management category (OFF, WO, ENL) authorizations, based on MACOM validations on a year-to-year basis, during the period 1975-1976, caused severe personnel management problems in the

areas of accessions, assignment, utilization, promotion, and career field viability. The results were severe personnel turbulence and adverse morale for personnel assigned club management duties. As an example, in 1975 USAREUK converted approximately 50 club warrant officer positions to commissioned officer positions.

(7) To stabilize club management authorizations and to permit accurate procurement and timely training of personnel, on 26 November 1975 MACOM's were requested to revalidate all club management personnel authorizations in support of installation club systems (HQDA ltr, Club Management Command and Control TDA Positions (RCS AG (OT)) 713, 26 November 1975). To ensure that authorizations remained fairly constant after validation, MACOM's were also informed that once their requirements were approved, changes thereto could not be made without prior HQDA approval. This requirement is being included in a change to AR 310-49, The Army Authorization Documents System (TAADS).

b. Recruiting.

(1) TAGCEN and MILPERCEN recruit personnel into the Enlisted Club Management Career and Development Program (ECMC & DP). Award of MOS 00J50 is contingent upon successful completion of the Club Management Course. The program is 99 percent full. This represents considerable progress in reducing the continuing shortage of enlisted personnel in the club management career program.

(2) Warrant officer procurement is based on Army requirements for MOS 021A and procurement action is accomplished by MILPERCEN.

(3) Officers are not recruited but are designated by MILPERCEN into SC 43 on a voluntary or involuntary basis. SC 43 is a basic entry specialty for Adjutant General Corps officers and an alternate (advanced) specialty for other officers.

(4) Since the implementation of OPMS, MILPERCEN has requested officers to voluntarily request designation of club management (SC 43) as their alternate specialty in order to meet Army requirements. These efforts have been marginally successful in attracting sufficient officers in the quantity and quality required. Consequently, MILPERCEN and installation commanders have been required to involuntarily assign some officers to club management duties.

c. Screening.

(1) TAGCEN reviews applications from enlisted personnel for entry into MOS 00J50 to assess qualifications and capabilities and conducts Criminal Investigation Division (CID) and intelligence file reviews. Applications are forwarded to MILPERCEN with appropriate recommendations for acceptance into the program.

(2) Officers and warrant officers are screened by MILPERCEN.

d. Quality of Military Personnel. A study of the quality of military club management personnel was completed by MILPERCEN in April 1977. Significant findings are summarized below:

(1) Officers.

(a) The overall quality of 32 company grade officers, Combat Arms Division, SC 43, is considered slightly below average. Officers with promotion potential total 53 percent. The remaining 47 percent (including five officers previously nonselected for promotion) have limited promotion potential. Of these 32 officers, 19 percent are inexperienced and 78 percent are untrained.

(b) The quality of three company grade officers, Combat Arms Support Division, is considered average. One officer is trained but inexperienced while the other two have neither training or experience.

(c) The overall quality of 151 company grade officers, Combat Service Support Division, is considered exceptional. The education level of these 151 officers shows that 80 percent possess a college degree and 11 percent possess an advanced degree. Of these 151 officers, 51 percent are both trained and experienced, 2 percent are either trained or experience, and 47 percent are untrained and have no experience.

(d) The overall quality of 94 majors, SC 43, is considered to be below average. Of these 94 majors, 24 percent were nonselect for promotion; however, 90 percent possess either an undergraduate or advanced degree. Additionally, 45 percent are both trained and experienced, 33 percent are either trained or experienced, and 32 percent possess no training or experience.

(e) The quality of 34 lieutenant colonels, SC 43, is considered above average. Of these 34 lieutenant colonels, 26 percent possess an advanced degree, 44 percent have completed CGSC, and 92 percent are either trained or experienced.

(2) Warrant Officers.

(a) The overall quality of club management warrant officers is considered to be above average. Of the 136 warrant officers (98 with PMOS 021A), 68.4 percent have at least 1 year of college and 15.4 percent have an undergraduate degree or higher.

(b) All but one warrant officer is trained and the 136 (PMOS & SMOS) club warrant officers have an aggregate average length of experience of 55 months.

(c) Of the 98 warrant officers (PMOS), 60 are considered above average or outstanding.

(3) Enlisted Personnel.

(a) The quality of club management enlisted personnel is considered average based on comparison of their civilian education levels with the Army-wide enlisted civilian education levels. Of 585 club managers surveyed, 99 percent have a high school or higher education while the Army-wide percentage of enlisted personnel, with an education level of high school or higher, is 83.7 percent.

(b) All enlisted personnel holding PMOS 00J are school trained since a prerequisite for award of the MOS is completion of the Army Club Management Course.

(4) In the past 2 years, the quality of military club management personnel has improved and continues to improve. The overall quality of current military club personnel is not considered by either MILPERCEN or TAGCEN to be below average.

e. Assignments and Utilization.

(1) MILPERCEN has responsibility for the assignment of military personnel, including club management personnel.

(2) In accordance with AR 230-60, CMD, TAGCEN provides MILPERCEN advice and assistance on assignments of club personnel. Additionally, CMD, TAGCEN attempts to monitor the assignments of military personnel being assigned to installation club systems. This monitorship, however, is considered to be ineffective. The reason is that CMD, TAGCEN does not have the necessary information and required coordination with MILPERCEN to effectively accomplish its assigned monitorship function.

(3) Currently, assignments of military personnel to club management positions are made with limited advice and/or assistance from CMD, TAGCEN. Additionally, designation of the officer club management specialty, primary and alternate, is made with little or no coordination with CMD, TAGCEN.

(4) In the opinion of the study group, CMD, TAGCEN will continue to be ineffective in the accomplishment of its assigned club monitorship function as currently outlined in AR 230-60 until its monitorship role is clearly and definitively defined.

(5) In view of the above and to facilitate the assignment process, the study group recommends that CMD, TAGCEN provide MILPERCEN a categorization of each installation club system. This categorization

would enable MILPERCEN assignment personnel to match an individual's club management training and experience level to the individual annex or club system to which he/she should be assigned to ensure effective and efficient management and career development. Where extenuating circumstances preclude the assignment of an individual or in accordance with the categorization criteria, MILPERCEN assignment personnel would solicit the advice and assistance of CMD, TAGCEN.

(6) Utilization and the ultimate assignment of SC 43 officers are the responsibility of installation commanders. Once the officer has been assigned to fill a requirement, it is extremely difficult, if not impossible, for HQDA to control the officer's utilization. Consequently, regardless of primary or alternate specialty, SC 43 officers may be assigned to other than club management positions due to local mission priorities.

(7) Enlisted personnel in the club management career program currently find themselves on orders to another overseas assignment after an average stabilized tour in CONUS of 18.3 months. This condition developed due to the large number of overseas position authorizations, primarily in USAKEUR.

(8) In June 1977, the Enlisted Personnel Management Directorate (EPMD), MILPERCEN initiated action to alleviate the enlisted club managers' CONUS turnaround time problem. As a solution to the problem, MILPERCEN, if approved by DCSPER, will fill MOS 00J50 to 125 percent strength which will increase the turnaround time to 30 months. EPMD has also proposed that at one point in a service member's career as a club manager, he/she be assigned to duty in his/her SMOS after completing an overseas tour. After a tour in his/her SMOS, the service member would attend a refresher course in club management prior to reassignment in this PMOS, 00J50.

(9) Installation commanders have the responsibility to ensure that only qualified club management personnel are assigned to authorized club positions. Due to shortages of club management personnel, the installation commander is often hard pressed to fulfill this responsibility. On the other hand, some installation commanders relieve a club manager from duty and do not document this action by submitting an appropriate relief evaluation report before requesting a replacement. MILPERCEN, receiving such a premature requisition, consults the installation PRA which shows they have an individual with the authorized grade currently assigned; therefore, MILPERCEN cannot validate the requisition. The installation commander then assigns a local asset, in most cases untrained, to fill the vacant club position. The result is an untrained, inexperienced individual working in clubs, a trained individual not working in a club position, and a greater potential for club operations to further deteriorate. Until such time as club management career fields are at 100 percent

strength and all commanders properly utilize club personnel in managing their club system, the Army will continue to experience malassignment of military club management personnel.

f. Appraisal.

(1) Installation Club Managers (ICM) are normally rated by the installation DPCA/DCSPER. Officer and NCO branch managers have their performance rated by the ICM. Annex managers are rated by their respective branch managers and indorsed by the ICM.

(2) The criteria for evaluation of performance varies from installation to installation and an apparent dichotomy exists between the perceived performance of a manager by the installation commander and CMD, TAGCEN. CMD, TAGCEN establishes criteria for the measurement of management effectiveness at the installation. Management performance is based on financial data received, i.e., their ability to meet budgeted goals and achieve financial stability and on the observations of CMD, TAGCEN technical training and management assistance teams. This evaluation of management performance is often reflected in the recommendations of TAGCEN visits and, in some cases, TAGCEN recommends relief of the manager. In some cases, the installation commander bases the Officer Efficiency Report (OER) on performance criteria contrary to DA goals and subsequently the individual club manager is caught between the two and sometimes suffers the consequences of a deficient OER.

g. Additional Compensation for Enlisted Club Managers.

(1) Under current policy, installation commanders are authorized, at their discretion, to pay enlisted club managers for hours worked in addition to normal duty hours up to a maximum of 24 hours per week. The authorization for pay is contingent upon the profitability of the club branch to which the enlisted manager is assigned.

(2) This extra pay for military club managers has been a common practice in the Army for more than 20 years. This delicate policy was developed after careful consideration of alternatives to incentive programs for enlisted managers. Incentive pay in the private sector reaches as high as 40 percent of net income and serves to attract qualified Army club managers to the private sector. Without an incentive program in the Army club system, it would be extremely difficult to attract and retain enlisted personnel in the club management career field in the quantity and quality currently required.

(3) Pay for extra hours worked appears to have favorably influenced the financial performance of many individual club systems and the recruitment and retention of qualified personnel.

h. Career Development.

(1) MILPERCEN controls assignments and subsequently career development of military personnel in the club management career fields.

(2) Career development of club management commissioned officers has in the past been extremely difficult under OPMS. Under OPMS an officer must become proficient in two specialties. However, the requirement for successive assignments in the dynamic service and commercially oriented business of club management, in order to remain proficient, has mitigated against club officers achieving this dual specialty proficiency. This has resulted in reduced promotion rates for club management officers in the past.

(3) HQDA is aware of this problem as specialties other than club management are experiencing the same difficulties. Therefore, HQDA is taking strong action to ensure that OPMS becomes viable and in turn, the specialties under OPMS will become viable. This positive action by HQDA was evident in the special instructions presented to the July 1977, AUS, colonel selection board (Annex A). These instructions directed the board, after the board had selected the maximum number of officers for promotion, to identify for promotion those officers with designated shortage specialties that it deemed qualified. An additional number of selection quotas equal to the officers thus selected would be granted to effect their promotion. Similar instructions to all promotion boards in the future will ensure the viability of all specialties under OPMS.

(4) The club management specialty (SC 43) has in the past year increased its viability. In 1976, the AUS 04 promotion board selected only 18.4 percent of the club management officers considered for promotion while the 1977 board selected 47.6 percent.

(5) Considerable progress has been made to make club management (SC 43) a viable specialty under OPMS. Notwithstanding, a club management assignment is still viewed by many officers as not being professionally enhancing. The current Army philosophy that "all assignments are good assignments" must be articulated to all Army officers to include the importance of the club management function. Instructions to this effect must be provided to DA promotion selection boards and other selection boards (selection for schooling, regular Army, etc.). Positive and continuing actions at all levels are required to eliminate any remaining negative perceptions concerning the club management program.

3. Conclusions.

a. Staffing. Current methods of staffing Army clubs appear adequate.

b. Recruiting.

(1) Efforts towards recruiting enlisted personnel into 00J50 appear to have been and continue to be successful.

(2) Efforts to attract officers to SC 43 appear to be marginally successful as many have been involuntarily designated this specialty.

(3) Efforts towards attracting warrant officers to MOS 021A appear to have been adversely affected by fluctuations in validations.

c. Screening. Current methods of screening applicants appear adequate.

d. Accessions.

(1) TAGCEN's recommendations for selection into 00J50 are generally approved. MILPERCEN controls accessions to MOS 021A and SC 43 irrespective of responsibilities charged to TAGCEN in this area.

(2) MILPERCEN efforts towards infusing quality personnel into club management specialties is resulting in an overall improvement of military personnel in this field.

e. Assignment.

(1) There appears to be little that can be done to control assignments at the installation level.

(2) TAGCEN's knowledge of specific club operations, familiarity with individual club systems, information pertinent to unique position requirements, and other related information may be provided to MILPERCEN for consideration in making personnel assignments.

f. Appraisal.

(1) Negative perceptions, assignment of unqualified personnel to club management positions, and successive and repetitive club assignments for officers have adversely impacted on performance of duty and evaluation of club management personnel.

(2) Part-time compensation for enlisted club managers appears to have favorably influenced the financial performance of many individual club systems and the recruitment and retention of qualified enlisted personnel.

g. Career Development.

(1) HQDA must continue to take positive action to increase the viability of club management specialty (SC 43) as a viable career field for officers under OPMS.

(2) The club management warrant officer field and the use of warrant officers as club managers should be continued.

(3) Recent MILPERCEN actions appear to have strengthened the integrity of MOS 00J50.

4. Recommendations.

a. That the upcoming revision to AR 230-60 clarify the actual relationship between MILPERCEN and TAGCEN regarding the assignment of club management personnel as follows:

(1) MILPERCEN--Exclusively responsible for making worldwide assignments of officer, warrant officer, and enlisted personnel to club management positions in accordance with Army requirements, professional development considerations, and individual desires.

(2) TAGCEN--Responsible for the provision of information to MILPERCEN regarding club operations, individual club systems, unique position requirements, and related information deemed appropriate for consideration by MILPERCEN in the assignment process.

b. That HQDA continue to take positive action to eliminate the negative preception regarding assignments to club management positions and to improve viability of Specialty Code 43, *Club Management*, as a separate specialty under OPMS.

ANNEX A TO APPENDIX 4-B

LETTER OF INSTRUCTION TO THE COLONEL, AUS, SELECTION BOARD FOR ARMY,
JUDGE ADVOCATE GENERAL CORPS AND CHAPLAIN PROMOTION LISTS, 8 JUL 77.



SECRETARY OF THE ARMY
WASHINGTON

22 JUL 1977

SUBJECT: Change 1 to the Letter of Instruction to the Colonel, AUS
Selection Board for Army, Judge Advocate General Corps, and
Chaplain Promotion Lists

President, Colonel, AUS, APL, JAGC and CH Promotion Selection Board

1. Reference Letter of Instruction to the Colonel, AUS, Selection Board for Army, JAGC, and CH Promotion Lists, dated 8 July 1977 from Secretary of the Army.
2. Paragraph 3e is to be added as follows: "Minimum Specialty Quotas. Underaligned specialties and minimum quotas for Colonels to meet Army requirements have been identified. They will be provided later as an addition to this LOI. Minimum specialty quotas will be presented to the board after the board has selected its maximum authorized number of officers. Selectees added to the list to meet specialty quotas will come from those officers selected as best qualified by one or more panels. Officers added to the list to meet specialty requirements are to be selected by a majority vote of the board membership. Should the board determine that the population of best qualified officers within a specialty does not support selection for promotion, the President will report this shortfall by specialty in his after action report."
3. Add a para 2d to Incl 1, Administrative Instructions to LOI as follows: "During the voting, the board will be tasked to select a sufficient number of officers to fill the minimum number of quotas which have been identified with specialties which are underaligned in strength versus requirements. Those officers so identified must be the best qualified from among those with the specialty designation being considered and who, applying the whole person concept, are fully qualified for promotion."
4. Redesignate current para 2d to Incl 1, Administrative Instructions to LOI, as para 2e.

Clifford L. Alexander, Jr.
Clifford L. Alexander, Jr.



SECRETARY OF THE ARMY
WASHINGTON

8 JUL 1977

SUBJECT: Letter of Instruction to the Colonel, AUS, Selection Board for
Army, Judge Advocate General Corps and Chaplain Promotion Lists

President, Colonel, AUS, APL, JAGC and CH Promotion Selection Board

1. Authority. This selection board is appointed under the provisions of section 3442, title 10, United States Code and AR 624-100 to consider officers of the Army, Judge Advocate General Corps and Chaplain promotion lists for promotion to the temporary grade of colonel.

2. General. The board will convene at Headquarters, Department of the Army, Hoffman II Building, at 0800 hours, 12 July 1977, or on call. Alternate members of the board will sit as voting members only when officers of their promotion list are being considered. Inclosure 1 provides administrative instructions, reports required and specifies the oath for the selection board and recorders.

3. Method and Numbers to be Selected.

a. Primary Zone. The "best qualified" method of selection, defined in AR 624-100 as "Selected from a primary or secondary zone of consideration and determined by a promotion selection board to be the best qualified to meet the needs of the Army", will be used to select for promotion to the grade of colonel, AUS, the number of officers specified below:

<u>Promotion List</u>	<u>Primary Zone</u>	<u>Number to be Selected</u>
Army (incl women)	All eligible LTC with DOR of 30 Jun 71 and earlier	537*
JAGC	All eligible JAGC LTC with DOR of 30 Jun 72 and earlier	11
Chaplain	All eligible Chaplain LTC with DOR of 31 Dec 70 and earlier	11

b. All officers who are recommended as "best qualified" must first be considered "fully qualified." In determining whether an officer under consideration is fully qualified for promotion, selection boards

includes 34 additional promotion quotas authorized to meet requirements of Appendix 1, Inclosure 2 of this LOI.

SUBJECT: Letter of Instruction to the Colonel, AUS, Selection Board for
Army, Judge Advocate General Corps and Chaplain Promotion Lists

should satisfy themselves that the officer is qualified professionally, morally, has demonstrated integrity, and is capable of performing the duties expected of an officer with his/her qualifications in the next higher grade.

c. The Director of Military Personnel Management, Office of the Deputy Chief of Staff for Personnel, will be notified immediately in the event the board finds fewer "fully qualified" than the number to be selected under the "best qualified" method.

d. Secondary Zone. APL, JAGC, and Chaplain officers selected from the secondary zone are included in the total number to be selected as indicated in para 3a above. The secondary zone is established to provide the Army an opportunity to promote more quickly those exceptionally talented officers who possess clearly outstanding potential. The secondary purpose of accelerated, below the zone promotions is to provide incentive for those officers to strive for excellence and whose accomplishments, demonstrated capacity for leadership and marked potential for senior managerial positions warrant promotion ahead of their contemporaries. Though age should not be ignored, age in itself must not be the sole basis for selection. Some officers maintain mental and physical energies which belie their chronological age, while other more youthful officers display relatively less stamina, vigor, and commitment. It should be recognized that those selected from the secondary zone replace officers who otherwise would be promoted from the primary zone. These instructions have been prepared to permit the following number of promotions from the secondary zone:

<u>Promotion List</u>	<u>Secondary Zone</u>	<u>Maximum Number Which May be Selected</u>
Army (incl women)	All eligible LTC with DOR 1 Jul 71 thru 31 May 75	77*
JAGC	All eligible LTC with DOR 1 Jul 72 thru 31 May 75	2
Chaplain	All eligible LTC with DOR 1 Jan 71 thru 31 May 74	3**

* Includes one(1) additional promotion quota authorized to meet requirements of Appendix 1, Inclosure 2 of this LOI.

** Reflects approval of the Board's request to select one more secondary zone officer than normally would be authorized under the 15 percent LOI guidance.

SUBJECT: Letter of Instruction to the Colonel, AUS, Selection Board for Army, Judge Advocate General Corps and Chaplain Promotion Lists

4. General Guidance.

a. It is essential that the Army have officers who are outstanding troop leaders as well as those who can provide outstanding leadership in other areas, such as specialist career fields and supporting staffs and units. The board must select the best qualified officers and, in the process, recognize that various assignments require different strengths, techniques, and background.

b. Promotion in the Army is based on the board's determination of the potential of an officer to perform in the higher grade. The officer's entire record should be used to determine his/her potential and as an aid in predicting future performance. Promotion is not intended to be a reward for past performance. The determination of an officer's potential must be based, for the most part, on the performance of duty in his/her primary and alternate specialties as reflected in the record. The board must consider proficiency in performance and not be influenced unduly by diversity of assignments or the level at which duties are performed. Army assignment philosophy today is predicated on the belief that all assignments are good assignments.

c. Specific qualifications necessary for promotion are not prescribed by the Department of the Army. Accordingly, no single factor should be allowed to become overriding; however, nonselection may properly be based on a major disciplinary action, relief for cause, demonstrated cowardice or lack of integrity, moral turpitude or professional ineptitude. The principal criterion must be the potential of the officer for outstanding service in the next higher grade; in making this determination, the board must place greatest emphasis on more recent performance in his/her specialties and not give undue consideration to earlier reports reflecting instances of less than flawless performance during his/her development as a relatively junior officer.

d. Inclosure 2 contains further guidance on the factors to be considered in determining professional qualifications and promotion potential.

5. Restrictions.

a. Recommendations of the selection board will be marked "FOR OFFICIAL USE ONLY" and will be so considered until recommended lists are announced by the Department of the Army.

SUBJECT: Letter of Instruction to the Colonel, AUS, Selection Board for
Army, Judge Advocate General Corps and Chaplain Promotion Lists

b. Upon board adjournment, members are encouraged to familiarize other officers with the selection board procedures in general. However, specific statistical analyses or details of the board proceedings pertaining to selection or nonselection of individual officers, whether recorded or unrecorded, will not be disclosed for any reason.

c. Board membership may not be revealed until the board adjourns.

Clifford L. Alexander, Jr.
Clifford L. Alexander, Jr.

- 2 Incl
1. ADMINI
2. Guidance

ADMINISTRATIVE INSTRUCTIONS

1. Eligibility. The DA Secretariat for Selection Boards will furnish the board with the names and personnel records of the officers to be considered for promotion. If discrepancies or apparent inconsistencies are noted, the recorders assigned to this board will obtain necessary additional information.

2. Procedures. Board members will use the following general procedures in evaluating the records of the officers in the zone of consideration:

a. Initial evaluation will be accomplished by evaluating all records alphabetically.

b. Each panel, working independently, will select the number of officers specified in paragraph 3 of the basic instructions.

c. After selections are completed by each panel, the panels will merge as one board to reconsider those officers who are not unanimously selected or nonselected by the panels. These officers will comprise the "grey" area that must be reevaluated in order to select the remaining promotion quotas.

d. The selection of chaplains and JAGC officers will be accomplished by separate panels. The chaplain panel will consist of two APL board members to be designated by the board President and three chaplain board members. The JAGC panel will consist of two APL board members to be designated by the board President and three JAGC board members.

3. Reports. Officers considered will be categorized as indicated below and reported to the Secretary of the Army:

<u>Category</u>	<u>Promotion List</u>
a. Recommended for promotion	APL/WAC, JAGC, CH
b. Not recommended for promotion	APL/WAC, JAGC, CH

Statements to preface each of the above reports are as follows:

Recommended

"The board, acting under oath and having in view the special fitness of officers and the efficiency of the Army, has carefully reviewed the case of every officer submitted to it for consideration. In the opinion of the majority of the members, the officers named on the attached inclosures who have been selected are "best qualified" through ability, efficiency, and length of service to assume the duties of the next higher grade and are hereby recommended for promotion."

Inclosure 1

Not Recommended

"The board, acting under oath and having in view the special fitness of officers and the efficiency of the Army, has carefully reviewed the case of every officer submitted to it for consideration as specified in the Letter of Instruction. In the opinion of the majority of the members, the officers named on the attached inclosures are not considered "best qualified" to perform the duties or assume the responsibilities normally expected of the next higher grade and therefore are not recommended for promotion."

4. Oath. The following oath or affirmation shall be administered to the recorder by the President of the board:

"You, _____, do solemnly swear (or affirm) that you will keep a true record of the proceedings of this board, and further, that you will not divulge the proceedings or results thereof pertaining to the selection or nonselection of individual officers except to proper authority."

The following oath or affirmation shall be administered by the recorder to each member of the board:

"You, _____, do solemnly swear (or affirm) that you will without prejudice or partiality, and having in view both the special fitness of officers and the efficiency of the Army, perform the duties imposed upon you, and further, that you will not divulge the proceedings or results thereof pertaining to the selection or nonselection of individual officers except to proper authority."

OFFICER PERSONNEL MANAGEMENT SYSTEM

1. General.

a. The Army is committed to the implementation of the Officer Personnel Management System (OPMS). In a broad sense, OPMS represents a shift from a traditional value system within the officer corps to a system which is in line with the contemporary needs of the Army and the individual. Although the full transition to OPMS will take several years, it is essential to extend its logic immediately into the promotion system. There is a danger that the acceptance of OPMS by the officer corps will be unintentionally delayed through a lack of application of its basic principles through recommendations of selection boards. The danger lies in the possibility that promotion and selection boards and/or their members may select officers in their own image while the officer corps is looking to the patterns of OPMS as outlined in DA Pamphlet 600-3.

b. Promotion and selection boards' findings should be a material extension of the personnel policies in effect at the time. It is essential that the Army have officers who are outstanding troop leaders--especially in combat. It is also essential to have officers who have provided leadership in the specialty areas, supporting staffs and technically oriented units. Here, it is emphasized that command assignments are not available to all and that there is no requirement for specialists to have commanded. The selections made by the board will contribute to the important development of the Officer Personnel Management System (OPMS) and its associated specialties. The board results will be observed carefully by the officer corps to see if principles of OPMS are supported by the selections made. Highly capable officers must be perceived as progressing through specialist fields to positions of increasing responsibility if the total requirements of the Army are to be met. This is basically what the Officer Personnel Management System is all about. The board must pick the best officers and, in the process, recognize that various duties require different strengths, techniques, and background.

c. The Army is committed to OPMS and promotion and selection board deliberations must be consistent with Army policy. This board will produce tangible results which can either support or degrade the credibility of OPMS.

2. Generalist/Specialist.

a. Whereas in the past, a generalist philosophy prevailed, the thrust of career development today focuses on specialization. As established under OPMS, specialization entails an officer developing skills in two specialties (specialty areas). Some specialties are relatively broad, while others are more narrowly defined: some are technically oriented, and others not. In some cases, the needs of the Army require the officer to receive specialized education and repetitive assignments to the same type duty positions at increasing level or responsibility so as to achieve a high level of professional proficiency.

Appendix 1. Inclosure 1

b. Most officers being considered by this board have been assigned on the basis of a previous generalist philosophy of professional development, while others have pursued a more specialized career. The board should not evaluate the type development, be it specialized or generalized, but rather the potential of the officer for outstanding service at the next higher grade.

c. To meet the Army's need for top quality specialists, the board should search diligently for those who are eminently qualified through service in a specialty at increasing levels of responsibility. If an officer is among the best in his/her field and meets the high standards of selection, he/she should be selected.

3. Duty Assignments.

a. The intent of officer development under OPMS is to develop officers with skills in two specialty areas. This does not imply that officers will not on occasion serve outside their designated specialty(ies). The board must look for officers who have demonstrated potential for service at the next higher grade, with due regard given to the officer's specialties.

b. In the past, letters of instruction have highlighted certain command, staff, or advisory assignments which were deemed essential to the successful accomplishment of the Army's mission. The above information was included because certain assignments may have been perceived by the officer corps and some board members as not career enhancing. Under the broad thrust of the OPMS and in keeping with current Army policy that "all assignments are good assignments," references to any specific assignments have been deleted from this letter of instructions. As stated earlier, the point to be evaluated by the board is: "What is the demonstrated ability and indicated potential of this officer?" This board's action must be consistent with the objectives of OPMS and reflect the policy that "all assignments are good assignments."

c. Normal development of an officer's potential often requires assignment to staff positions throughout his/her career at various grade levels. The indication of successful staff assignment is a significant measure of an officer's ability and potential. All staff assignments, to include those outside Department of the Army, should be judged by the officer's manner of duty performance and the requirements of the assignment.

d. Command and other responsible supervisory assignments, particularly in combat, contribute significantly to career development. At the same time it must be realized that the number of command positions is more limited than other types of duty and is more available to officers of some specialties than others. Additionally, being placed in such positions is primarily a matter of selection and assignment over which the individual has little control. The board must carefully weigh all assignments and compare the degree of responsibility, managerial skill, and personal leadership.

e. The Army and the nation have benefited from the unique skills possessed by certain members of the officer corps. Those skills, though in some cases highly specialized and perhaps nonmilitary in the traditional sense, may require the continuous involvement of the officers concerned. Attention must be given to the enhanced prestige and reputation enjoyed by the Army and the nation through the efforts of these officers.

f. Some officers have had considerable civilian schooling while on active duty. In these cases, there may be less information upon which to evaluate them. These periods must not be considered as voids. The nature and importance of the schooling, and the achievement of the officer as a student, should be considered. Similarly, officers who have not been given the opportunity for such schooling should not be penalized since usually this is a matter beyond their control.

g. Constructive credit for attendance at any military school is equivalent to resident or nonresident course completion. While it must be recognized that the resident student has enjoyed the professional benefits of seminars, guest speakers, and association with his/her peers, the officer who, on his/her own initiative, has completed such a course by nonresident mode must also be given credit for the initiative, drive for self-improvement, and dedication to professionalism which he/she has shown.

GUIDANCE

1. General.

a. The Army's promotion system is designed to:

(1) Meet the Army's requirements for commissioned officers in the various grades.

(2) Maintain the integrity of the promotion system by providing for fair and equitable advancement of commissioned officers throughout a full career in the Army, giving early advancement opportunity to the proven outstanding officers and eliminating the substandard or marginal officers as early in the career pattern as feasible.

(3) Provide a proper promotion flow through the various grades to insure an energetic, highly-motivated officer corps and a high retention rate among the top quality officers.

b. No evaluation of demonstrated professionalism or potential for future service can be complete or objective without a review of the entire record. An isolated example of excellence or mediocrity should not be used as a determinant for selection or nonselection. The analysis of individual records to determine the relative potential for performance at the next higher grade should include a careful review of all of the following factors:

(1) Integrity and character. Throughout the selection process, consideration must be given to integrity and character. These constitute the real foundation of successful leadership from which moral authority is derived. An officer who has sacrificed his/her integrity has sacrificed the respect and trust of those with whom he/she serves. Absolute integrity of word, deed, and signature is a matter that permits no compromise. Thus the individual officer bears great responsibility for the establishment and observance of scrupulous, ethical and moral standards.

(2) Demonstrated sensitivity to human beings and the ability to communicate.

(3) Intelligence and creativity.

(4) Performance of assigned duties and professional competence.

(5) Trend in efficiency--up or down--as experience is gained and responsibility increases.

(6) Length of service, maturity and vigor.

(7) Military and civil education.

Inclosure 2

(8) General physical condition. A partial disability which is the result of a disease, wound or injury should not in itself be considered disqualifying unless it prevents the individual from performing his/her duty. The board must bear in mind that competent medical authority has recommended and waivers have been granted to officers with certain physical profiles. Therefore, the fact that an officer has been continued on active duty is tantamount to establishing that he/she possesses the physical qualifications which would allow assignment to any position commensurate with his/her grade, specialties and profile limitations. In case of doubt, the matter is to be brought to the attention of the DCSPER for final resolution. This guidance is not to be confused with an officer's professional responsibilities for maintaining reasonable standards of physical fitness and weight control as prescribed in AR 600-9.

c. The fact that an officer was not selected by a prior board is not to be considered reason for nonselection by a subsequent board. All officers in the zone of consideration are competing equally. The board must form its own independent evaluation on the basis of the officer's record as compared to all officers considered for promotion.

d. Selection of an officer for promotion requires evaluation of the officer's attitude and dedication to serve the nation and the Army. As far as possible, based on the records available, particular attention must be given to the selfless officer. Special consideration should be given to the officer who generates spontaneous, contagious enthusiasm while demonstrating a selfless dedication to serve.

2. Efficiency Report.

a. The basic and most important single document in an officer's record is the efficiency report. The Army has attempted to reduce the "inflation" in officer efficiency report numerical ratings in order to obtain a more valid indicator of the performance and potential of rated officers which allows more precise and meaningful comparisons. On 1 January 1973, a new efficiency report was put into effect, and on 7 February 1973, a message from Headquarters, Department of the Army, was sent to commanders. This message stressed the importance of more realistic officer evaluations. In some cases, commanders and all those in the rating chain made a conscientious effort to follow the guidance and deflate the rating system, while in other cases, inflated ratings continued to be submitted. As a result, some officers could have been unduly penalized, in comparison to their peers, during the early period of change to the new efficiency report system. The boards should be aware of this. DA Form 67-7 reports through 31 December 1973 are stamped "FIRST YEAR." While these reports should not be disregarded, they should be weighed in light of the officer's entire record. A single report with a relatively low score, particularly one in the first year of implementation, should not in itself normally be the basis for nonselection.

b. The Manner of Performance section in each report must be closely examined. It is here that a pattern of strengths and weaknesses over a period of time will appear. These reports should be weighed in light of:

- (1) Length of time in the assignment.
- (2) Length of time covered by each report.
- (3) The consistency of ratings between raters and indorsers.
- (4) Type of observations, i.e., daily contact, infrequent observation, records and reports.
- (5) The continuity and trend of ratings over a period of time.

c. The composite score of each efficiency report is not converted to an overall index or average score. The score of each efficiency report must be considered hand-in-hand with the narrative portion of the report. While a numerical score is a factor to be considered, it must not of itself be a determinant for selection or elimination from consideration.

3. Minority Officers. The Army recognizes that there is a shortage of minority officers overall. Additionally and of equal importance, board members must be aware of past possible personal and institutional discrimination against minority officers: not only may they have been denied career opportunities comparable to majority officers, such as schooling and command, but it also is likely that they were given relatively lower efficiency evaluations in the assignments which they held. These factors must be taken into consideration in evaluating the potential of minority officers to make a significant contribution to the Army in the next higher grade.

4. Female Officers. In evaluating the records of female officers, the board must recognize that women have not been afforded the full career opportunities available to male officers. Female officers have had only limited opportunity for military education and training, battalion and higher level command, and high level staff assignments. Many female officers have had repetitive assignments in WAC branch material positions, e.g., platoon officer, executive officers, company commander, WAC school instructor, WAC staff advisor; these assignment patterns were essential due to requirements and the low female officer content. Female officers' OER scores were consistently lower than those of men assigned to the branches to which women are now detailed. Raters/indorsers have been inclined to emphasize physical/personality traits rather than professional qualities. The board will note that female officers are, on the whole, older than their male contemporaries due to their source of commission. The foregoing must be taken into consideration when determining the true potential of female officers.

5. Chaplains. In addition to other criteria established for selection, particular attention should be given to the management and supervisory capabilities of the chaplains considered. In the case of chaplains, age, in itself, can be misleading. Requirements for seminary training and pastoral experience prior to entry on active duty vary among denominations. As a result, chaplains with the same date of rank and similar military experience may have significant variations in age. Age, toward either end of the spectrum, should not be the determinant of promotion.

6. Appendix 1, inclosure 2 contains guidance on the Officer Personnel Management System.

7. Derogatory Information. The weight to be given derogatory information must be determined by the collective judgment of the board. Care must be taken also not to penalize unduly officers who have had early exposure to heavy responsibilities and the inherent opportunity to make mistakes through honest but misguided effort. Accordingly, care should be used in assessing the weight to be placed on one bad efficiency report which has been preceded and followed by a high performance of duty. Indications of past disciplinary action should be evaluated in comparison to an individual's overall record of performance and potential in view of the seriousness of the offense.

MINIMUM SPECIALTY REQUIREMENTS

1. The guidance provided by this appendix to the Colonel, AUS, APL, CH and JAGC letter of instruction (LOI) is to be applied to your selection process after you have selected the maximum number of officers authorized by your LOI.
2. Listed below are those specialties which have been identified as requiring the minimum number of selectees listed by the specialties. Many of these specialty requirements will have been met by the selectees you have already identified. From the remainder of files which were one or more panel selects, you are tasked to identify those officers who have designated specialties which correspond with specialty requirements not yet filled. By revoting these files, you are to determine those officers you deem qualified for promotion. Up to 15 percent of your additional selections may be from the secondary zone. The board is cautioned that qualification for promotion must include, at this point, only those officers who are true specialists as evidenced by their demonstrated expertise and past assignments in that specialty for which selection is being made. You are hereby granted an additional number of selection quotas equal to the officers thus selected. These officers will be integrated with your initial list of selectees when the board's results are forwarded for approval.

<u>SPECIALTY</u>	<u>MINIMUM REQUIREMENT</u>
21 - Engineer	38
27 - Communications-Electronics Engineering	4
31 - Law Enforcement	13
35 - Tactical/Strategic Intelligence	3
37 - Cryptology	24
42 - Personnel Administration and Administrative Management	6
43 - Club Management	2
45 - Comptroller	1
46 - Public Affairs	8
48 - Foreign Area Officer	22
<u>ASI</u>	
4A - Sub-Saharan Africa	4
4C - West Europe	4
4D - Southeastern Europe	4

4H - Iran	1
4K - Latin America (less Brazil)	1
4L - Brazil	1
4N - Korea	1
4Q - South Asia	1
4R - Southeast Asia	2
4S - Thailand	2
71 - Aviation Materiel Management	3
72 - Communications-Electronics Materiel Management	2
73 - Missile Materiel Management	1
75 - Munition Materiel Management	2
76 - Armament Materiel Management	3
77 - Tank/Ground Mobility Materiel Management	1
81 - Petroleum Management	1
82 - Food Management	1
83 - General Troop Support Materiel Management	1
86 - Traffic Management	1
87 - Marine and Terminal Operations	1
88 - Highway and Rail Operations	1
91 - Maintenance Management	3
92 - Supply Management	10
93 - Logistics Services Management	6
95 - Transportation Management	3
97 - Procurement	4

4C

APPENDIX 4-C

CENTRAL ACCOUNTING SERVICE

1. Background. Prior to 1973, accounting service for clubs was conducted by small dedicated staffs in each club. Although Comptroller of the Army (COA) was the proponent for accounting policy via AR 230-65, the function was supervised by club managers. With the establishment of the installation club management system in 1973, club branch accounting was centralized at installation level under the supervision of the Installation Club Manager (ICM). Shortly, thereafter, COA published a revision of AR 230-65 which directed establishment of installation central accounting offices for all NAFI's.

2. Current Status.

a. The NAF Central Accounting Office (CAO) functions under the supervision of the installation Finance and Accounting Officer. Technical guidance is provided by the US Army Finance and Accounting Center, Fort Benjamin Harrison, Indiana.

b. Costs of operating the CAO are prorated among the supported activities. The formula used to determine cost to each activity is normally based on the workload generated by the activity. However, AR 230-60 and AR 230-65 state that this or any equitable means may be used, as determined by the commander.

3. Club Manager's Perception of CAO. The average club manager views the CAO as unresponsive to his needs, and too expensive in relation to services rendered. It must be remembered that many of these managers supervised their own club accounting section prior to CAO establishment. They were conditioned to quick response to questions and generation of detailed management information data on request. With the separate organization of CAO at present, the workload priorities may be different and strict interpretation of the "record and report" mission may be followed. In addition, the separate chain of command appears to hinder communication. Disagreements which would be settled via discussion in a unified atmosphere seem to be intensified in this structure.

4. CAO Perception of the Club Manager. Many CAO's cite numerous problems in working with supported club managers. Included in this category are late submission of documents, errors on club documents, unreadable paperwork, unreasonable demands for information, and questioning of technical procedures used by the CAO. As noted above, most of these problems could be resolved through effective communication. Continuous emphasis is needed to accomplish this goal.

5. CAO Baseline Data Study.

a. In April 1977, TAG directed that a survey be conducted to determine baseline costs for central accounting service. After coordination with USAFAC, dissemination and return of the survey, results were tabulated and analyzed.

b. Data extracted from the analysis indicates that after centralization, CAO costs decreased an average of 47 percent worldwide in non-mechanized operations, and 57 percent in those which are mechanized (see Table 1). Specifically, officers' club costs declined 41 percent and NCO/ENL cost was reduced 36 percent (See Table 2). While these figures are impressive, they may be misleading in that, prior to centralization, club accounting staffs performed a number of ancillary functions in addition to their primary duties. When centralization occurred, one of two things happened in many clubs. Either spaces were transferred and incumbents kept in the clubs, or incumbents and spaces were transferred, and new hires were recruited to perform the ancillary tasks which had been done by the accounting section. Consequently, cost to these clubs may have actually increased when accounting was centralized. Therefore, while pure accounting cost has been reduced, the cost impact of the centralization is still being experienced by many clubs. This is supported by the observations of the DAIG Special Inspection of Army Club Management 1977.

c. The portion of the survey which covers perceptions indicates that the majority of DPCA's responding considered the CAO cost effective. The opinion on responsiveness is not as positive. Most DPCA's believe that CAO's are not as responsive as decentralized accounting sections (See Table 3). In testing the perception of users, each installation was asked to submit questionnaires to one large activity, one medium, and one small fund. The results for overseas activities appear to be strongly affected by the environment in which they operate. In CONUS, the opinions are generally positive (Table 4), except on the question of cost, where there is unanimity in the belief that CAO costs are high.

6. Summary. Theoretically, centralization of accounting should lead to efficient, responsive service at reasonable cost to using activities. It appears that costs have been reduced, although the specific amount or percent may be questionable. Using activities are generally satisfied with the service provided, but consider the costs to be high. The variance in conditions at individual installations hampers establishment of a standard organization and cost factors for CAO's. However, DA Pamphlet 37-101 (Installation F&AO Functions) recommends establishment of a NAF Central Accounting Division in the installation Finance and Accounting Office, with general staffing guides provided. The information contained in the CAO Baseline Study should assist USAFAC in refining this guide to staffing and cost goals, based on workload and type of operation (mechanized or manual). Development and use of this data would be a significant step in providing good service at reasonable cost to serviced NAFI's.

Table 1

	CONUS		USAREUR		OTHER	
	<u>NON-MECH</u>	<u>MECH</u>	<u>NON-MECH</u>	<u>MECH</u>	<u>NON-MECH</u>	<u>MECH</u>
<u>COSTS</u>						
Average monthly NAF cost						
Prior to centralization	\$10,628	\$18,126	\$16,545	\$21,405	\$27,531	\$55,799
After centralization	6,581	13,863	9,254	6,872	11,096	9,781

Table 2

AVERAGE MONTHLY COST ACTIVITY	PRIOR	AFTER	PRIOR	AFTER	PRIOR	AFTER	PRIOR	AFTER	PRIOR	AFTER	PRIOR	AFTER
Officers' Club	\$2,601	\$1,795	\$7,416	\$3,476	\$4,137	\$2,274	\$4,880	\$1,520	\$2,792	\$1,296	\$6,726	\$1,729
NCO Club	2,321	1,435	4,090	2,622	8,204	3,843	10,133	384	10,073	3,610	45,703	5,097
Package Beverage (Main)	1,774	1,239	917	1,207	-0-	3,432	-0-	3,432	-0-	-0-	5,621	2,458

SUMMARIZATION OF CAO SURVEY
ALL DATA AFTER CENTRALIZATION - UNLESS OTHERWISE INDICATED

Table 3

EVALUATION OF CAO BY	CONUS		USAREUR		OTHER	
	NON-MECH	MECH	NON-MECH	MECH	NON-MECH	MECH
DPCA						
Cost Effective	57%	50%	56%	100%	33%	-0-%
Not Cost Effective	43%	50%	44%	-0-%	67%	100%
More Responsive Than Decentralized	43%	33%	22%	50%	33%	-0-%
Less Responsive Than Decentralized	39%	58%	56%	-0-%	33%	-0-%
No Real Change	17%	8%	22%	50%	33%	100%

SUMMARIZATION OF CAO SURVEY
ALL DATA AFTER CENTRALIZATION - UNLESS OTHERWISE INDICATED

Table 4

SERVICED ACTIVITIES	CONUS		USAREUR		OTHER	
	NON-MECH	MECH	NON-MECH	MECH	NON-MECH	MECH
On Scale of 1 to 5						
Relationship						
1 poor						
5 excellent	4	5	2	4	3	2
Management Info						
1 poor						
5 excellent	3	4	2	3	2	2
Timeliness						
1 poor						
5 excellent	3	4	2	3	2	2
Usurpation of Prerogatives						
1 invariably						
5 never	4	4	2	4	3	2
Problem with Location						
1 insurmountable						
5 no problem	4	4	2	4	3	2
Cost						
1 excessive						
5 reasonable	3	3	2	3	3	2
Accuracy of data						
1 inaccurate						
5 always accurate	4	4	2	4	3	2

4-D

APPENDIX 4-D

CENTRAL PROCUREMENT

1. Purpose.

To ascertain the effectiveness of DA level centralized procurement support presently made available to Army clubs on a voluntary, as requested basis.

2. Background.

a. Procurement support is made available to Army nonappropriated fund activities through TAGCEN's centralized NAF Procurement Division. This activity was created in August 1975 by absorbing and augmenting formerly dispersed TAGCEN procurement functions. It has instituted and implemented three primary procurement programs, which are largely optional in their use by Army clubs:

(1) Individual Support for Nonappropriated Fund Procurement (ISNAP) program. The essence of this program is rapid response to individual purchasing requirements coupled with advantageous pricing. However, ISNAP procedures are preceded by attempts to purchase locally, either within the ICM's \$2500 limitation or through the installation purchasing and contracting office (P&C). If local purchasing cannot be responsive TAGCEN Central NAF Procurement Division will furnish price and delivery information by telephone to the club within a few hours. When the ISNAP requirement is properly documented and approved, Central NAF Procurement will take the necessary action on an expedited basis. This is a particularly effective program for procuring furniture, fixtures, equipment and supplies.

(2) Price Agreement Bulletin (PAB) Program.

To date contracts have been negotiated with manufacturers of furniture, bar control systems, food service equipment and kitchen equipment, who distribute pricing agreements and catalogs direct to ICM's. These contracts are for mandatory use by all Army Nonappropriated Fund Instrumentalities (NAFI's) when ordering items under a Central NAF Procurement Office contract unless the same item can be obtained from other sources for less. A club may issue a purchase order directly with the contractor against an existing contract, regardless of dollar amount, with the appropriate procurement approval. In addition to DA PAB's, the equivalent publications

issued by other DOD components are also a source of direct procurement from approved suppliers at advantageous pricing.

(3) Turn-key Facility Construction Program.

This construction concept involves the awarding of total package responsibility for design, construction and equipping of a facility to a general contractor. Contract award criteria consist primarily of the total package cost along with construction time and the contractor's past performance. NAF construction projects costing more than \$50,000 must consider this construction concept.

b. Facility Design.

In addition to the three procurement assistance programs TAGCEN, through CMD, provides club design service, as requested, through three professional interior designers. Renderings, floor plans, equipment specifications, interior design samples and presentation boards are provided for new club buildings and improvements. All construction bids submitted for turn-key construction are also reviewed by this office for technical sufficiency and regulatory compliance.

c. Central Meat Procurement Study.

In July 1977 CMD, TAGCEN initiated a study of evaluating and analyzing current club meat procurement procedures with a view toward improving both price and quality. If this preliminary evaluation indicates a potential for significant improvement, a pilot program of centralized meat procurement for a limited number of clubs will be undertaken. A similar program adopted by the Marriott Corporation reportedly has resulted in substantial savings in meat procurement. Use by CONUS Army clubs will depend on the results of the evaluation and pilot programs.

3. Some Results of Central Procurement.

a. ICM's at 84 continental United States installations were surveyed (copy of survey at Incl 1) to gauge the usefulness and effectiveness of the central procurement programs. The time frame covered was FY 76, FY 77, and two quarters of FY 78. Forty-five responses (54%) were received.

(1) ISNAP.

(a) Twenty-four percent reported using this program; 40 percent did not; 36 percent did not respond. Six ICM's reported 13 purchases totaling \$65,840 with savings reported at \$7,071 (9.7%). Forty-five percent

reported an average of 63 days from purchase to delivery through TAGCEN programs and an average of 60 days when procuring these items locally.

(b) According to TAGCEN Central NAF Procurement records, of \$177,451 spent under this program since 18 Aug 76, clubs saved \$75,247 from the list price. Generally, a 50 percent saving from list is reported on most items but on others the saving amounts to 15 percent.

(2) PAB's

(a) Sixty-two percent reported receiving information on price agreement bulletins, of which half reported using the information. A rather significant 24 percent reported not having received PAB information. Reason for non-receipt was not ascertained.

(b) Glassware, uniforms, furnishings/equipment, china, and flatware were the most frequently purchased items from PAB's.

(c) Seven installations reported that the purchase of items valued at \$257,680 through PAB's would have cost these installations overall \$96,929 more had they been purchased locally. This represents a savings of 27.3 percent.

(d) Time reported needed for delivery of items purchased under PAB's averaged 38 days as opposed to 27 days for delivery of locally purchased items.

(e) Fifty-three percent reported total expenditures of \$6,151,965 for items which could have been purchased through TAGCEN NAF procurement programs, but were not.

(f) The dollar value of projected expenditures for furniture, fixtures and equipment along with construction and renovation for the 50 states, Canal Zone and Puerto Rico is delineated below. This is based on Capital Expenditure Budgets submitted to CMP, TAGCEN, in July 1976 from installation club systems as referenced above.

Budget Capital Expenditures (Extracted from Club FY 77-81 Budgets)

	<u>FY 77</u>	<u>FY 77-81</u>
NAF Expenditures		
Furniture, Fixtures & Equipment	\$ 3,399,812	\$10,211,842
Buildings & Building Improvements	5,945,868	12,816,879
Total	\$ 9,345,680	\$23,028,721

APF Expenditures

Furniture, Fixtures & Equipment	\$ 601,810	\$ 1,109,430
Buildings & Building Improvements	877,350	3,228,159
Total	\$ 1,479,160	\$ 4,337,589

Unfunded (Not classified by Source of Funds)

Furniture, Fixtures & Equipment	\$ 443,314	\$ 2,626,616
Buildings & Building Improvements	922,000	4,590,500
Total	\$ 1,365,314	\$ 7,217,116

Total Expenditures

Furniture, Fixtures & Equipment	\$ 4,444,936	\$13,947,888
Buildings & Building Improvements	7,745,218	20,635,538
Total	\$12,190,154	\$34,583,426

(g) The following cost savings for clubs have been identified as a result of the PAB's. Of \$193,394 spent, the TAGCEN Central NAF Procurement Division reports a savings of \$177,648. This is based on a calculation of 50 percent discount from list price.

(h) Additional PAB cost savings, according to TAGCEN Central NAF Procurement Division records, are \$250,000 annually. This is based on a computed 6.3 percent cost savings¹ of 10 percent of the estimated \$40 million spent by all services against a tri-service (Army, Navy and Air Force) contract in California. Total Army purchases are thus reported as \$4 million with 6.3 percent savings of approximately \$250,000.

(i) Actual cost savings to Army clubs under this program appear to be slightly lower than cost savings reported by the Central NAF Procurement Division. The contract in California only accommodated purchases for distilled spirits which does not include wine, beer or other malt beverages. Total cost of goods for bar, beverage promotion and package beverage is reported by club financial statements as \$3,045,140 (\$3,245,883 when the assumed 6.3% savings is added to the cost of goods figure of \$3,045,140). A 6.3 percent savings of the reported cost of goods figure is \$191,844.

¹The statistic used to determine percentage alcoholic beverage savings during the contract period over the pre-contract period was percentage savings from the standard industry prices for the Northern California area which are published monthly in the Beverage Industry News. Percentage savings from the Beverage Industry News during the contract period (12 months) was 16.1 percent. The difference of 5.6 percent when divided by the base percentage for the pre-contract period--gives a savings estimate of 6.3 percent.

(3) Facility Design Services. For a 20-month period ending March 1977, 33 visits to 28 installations were made. Although dollar savings on projects is one objective of this service, design efforts are directed primarily toward maximizing the functionality, efficiency, and attractiveness of the facility. A recap of facility design activities follows:

<u>PROJECT STATUS</u>	<u>NO. OF PROJECTS</u>	<u>TOTAL COST ESTIMATE \$</u>
Ongoing	8	\$ 775,700
Approval Pending	5	3,760,000
Planning Stage	6	809,600
"Thinking" Stage	2	95/140,000

(4) Turn-key Construction. Two club construction projects have been completed to date under the turn-key concept with significant dollar and time savings when compared with conventional procurement and construction methods:

	<u>Cost</u>	<u>Savings--\$s & Percentage</u>	<u>Construction Time</u>
Fort Jackson NCO Club	\$1,682,000	\$ 618,000 (36.7%)	14 mo.
Fort Knox Officers' Club (Addition)	472,000	160,000 (33.8%)	5 mo.

4. Discussion.

a. The entire survey analysis is based upon the premise that the responses received generally reflect those expected of the entire population of CONUS Army clubs. Confidence is somewhat inhibited by a lack of response to particular questions; however, those installations reporting provided a reasonable cross-section representation of a finite aggregate and covered a spectrum of clubs from large club operations (sales of \$1 million or more) to smaller operations (\$100,000 or less). It may therefore be assumed that the representative sample of responses received constitutes a limited survey from which no definite conclusions may be drawn (see paragraph 5).

b. TAGCEN records show 11 installations as having used the ISNAP program. The limited statistical information available reflects savings of about 10 percent, but slightly longer (3 days) delay than local purchase items. Because of the number of variables involved on individual purchases these precise figures cannot be conclusive. For example, following preliminary discussions, the installation frequently uses ISNAP to save not only money but time over local purchase.

c. By factoring the 31 percent of those who reported PAB use against the universe (84), it may be surmised that 26 of the 84 CONUS club systems used PAB's. Increased information and education on availability of PAB's as another procurement source could increase the overall percentage of use by clubs.

d. Fifty-three percent of the respondents reported a total of \$323,500 spent under PAB and ISNAP programs (24 percent lower than the local cost of procuring like items). While variables of geographic location, local volume, and local procurement techniques enter the picture, an estimate can be made. By factoring the 24 percent savings already realized against a system-wide projection of ISNAP and PAB related procurement for 84 continental United States installation club systems (\$20,399,557), a potential additional saving in excess of \$4.5 million can be projected. Even in recognition that these projections should be treated as approximate rather than absolute, the favorable relationship between potential savings and volume is significant.

e. The survey results did not indicate the extent to which facility design services were used once the services were provided. However, due to the frequency of request and the need for design services, coupled with the magnitude of projects to which the design service was applied, it can be assumed that the service improves the quality of club construction and renovation, while saving individual club systems' design dollars. Long-run, but unmeasurable savings can logically be assumed, also, through more functional and efficient physical layouts.

f. Advantages of these four TAGCEN central services to clubs appear to be (1) ease of use, (2) time saved, (3) money saved, (4) availability of professional assistance.

g. Disadvantages appear to be that the programs are not used because (1) they are not mandatory, (2) people are not informed of availability and benefits of participating. Additionally, lack of feedback hampers efforts to measure effectiveness.

h. FY 77 projected capital expenditure figures indicate that over \$12 million will be spent on club furniture, fixtures, equipment, buildings and building improvements during FY 77. Of this amount, over \$9 million will represent nonappropriated fund (NAF) expenditures. In FY 77 over \$3.3 million is projected to be spent from club resources on furniture, fixtures and equipment. If an average of 9.7 percent savings (reported ISNAP savings percentage) was realized, savings in excess of \$300,000 could be theoretically projected for FY 77. According to the capital expenditure budget, almost \$6 million in NAF's will be spent in FY 77 on buildings and building improvements. Based on the savings realized from

two construction projects to date of 26.69 percent, it may be assumed that by factoring this percentage figure against the projected NAF expenditures for buildings and building improvements by the capital expenditure budget, a savings of over \$1.5 million could theoretically have been realized if turn-key construction had been implemented in each NAF building improvement and construction program within the 50 states, Canal Zone and Puerto Rico. The FY 78 to 81 capital expenditure projections based on the 5-year budget submitted are considered too nebulous for dollar projections at the present time. However, it is anticipated that significant savings could be realized in the areas of construction and renovation and in other central procurement and design services for FY 78 through FY 81, if the turn-key construction concept was fully exploited.

i. The TAGCEN Central NAF Procurement Activity exists to serve all NAFI's. The Army club system therefore is taking advantage of an established service and is not requiring the establishment of an exclusive office to accommodate their particular procurement needs. However, any significant increase in the volume of procurement actions by that office would probably require some increase in personnel requirements.

j. Once data is received on club meat procurement practices and shortcomings, it will be evaluated and central procurement assistance considered.

5. Conclusions.

a. Although the precision of data received is dubious in some cases, it is apparent that substantial savings in time and money may be realized from increased use of central DA level procurement.

b. Usage may be increased by disseminating information regarding central procurement services via club related periodicals, DA circulars, club management course, workshops and seminars, and locally through Club Management Directorate assistance visits.

c. A more effective means to establish extent of usage of procurement services must be developed, particularly as usage of TAGCEN CNPA expands.

d. The turn-key program should be expanded to accommodate all possible building and building improvement projects towards maximizing savings therefrom.

e. For certain product lines use of central procurement services should be mandatory.

f. Any significant increase in DA level central procurement workload will probably require additional procurement personnel.

g. Central meat procurement assistance may be implemented based on findings of the current meat evaluation and analysis test.

4E

APPENDIX 4-E

ATTITUDINAL SURVEY

(OFFICERS/WARRANT OFFICERS ATTITUDES/PERCEPTIONS

TOWARD OFFICERS' CLUBS)

1. Purpose. To report the results of an attitudinal survey of US Army officers and warrant officers regarding officers' clubs.

2. General.

a. An attitudinal survey of Army officer clubs was conducted by CPT Edward Urben, Hotel and Restaurant Management Masters Degree candidate at Purdue University. Its intent was to obtain opinions of Army officers and warrant officers at various installations aimed at identifying both problem areas and shortcomings in the Army officers' club system.

b. In an attempt to describe the entire population, 990 surveys were sent to: combat divisions both within the continental United States and overseas; major Army headquarters; service schools, and major command headquarters. Four hundred ninety-six (50%) were returned from the following:

<u>RANK</u>	<u>AGE</u>	<u>NO. SURVEYED</u>	<u>% TOTAL</u>
CWO, 2LT, 1LT	= 20 - 26	109	22
CPT, CW2	= 27 - 34	188	39
MAJ, CW3	= 35 - 39	87	18
LTC, CW4	= 40 - 44	69	14
COL, GEN OFF	= 45 & UP	33	7
		<u>486</u>	<u>100</u>

Missing Cases

c. Further demographic statistics of respondents follow:

(1) Rank breakout: WO1, 1 percent; WO2, 3 percent; CW3, 3.3 percent; CW4, 2.4 percent; 2LT, 11.2 percent; 1LT, 9.3 percent; CPT, 35.2 percent; MAJ, 14 percent; LTC, 12.2 percent; COL, 5.5 percent; GEN, 2 percent.

(2) Fifty-five percent were Regular Army.

(3) Ninety percent were male.

(4) Eighty-one percent were married.

(5) Eighty percent were club members at the time they responded.

(6) Ninety-two percent have been club members at some time.

d. Individual comments (figure 2), although not solicited from respondents, were provided by approximately 13 percent of those completing surveys.

3. Validity of Responses.

a. The response did not represent a true rank distribution; however, responses were received from all ranks in sufficient numbers to provide for a limited analysis.

b. Individual comments are too dependent upon rank and statistically dispersed to warrant conclusion or recommendation, but merit consideration.

c. The responses to the question of clubs giving special attention to senior officers (questions 33 and 34, figure 1) represent the perception of most junior officers responding to the survey. However, it would be necessary to survey an equivalent number of senior officers to make a proper conclusion.

d. Unsolicited comments (figure 2) were not received from a large enough sample to be considered valid.

4. Summary of Results.

a. Forty-seven percent agreed that the check cashing privilege was a major reason for being an officers' club member, while 21 percent said they would terminate membership if this privilege were eliminated (questions 1 and 2, figure 1).

b. Twenty-one percent agreed that the privilege to charge liquor was a major reason for being a member, while 7.5 percent said that they would terminate their membership if they could not charge liquor (questions 3 and 4, figure 1).

c. Forty-three percent agreed that club dues should be eliminated and 42 percent said a surcharge should replace dues (questions 5 and 6, figure 1).

d. Twenty-seven percent agreed that they joined the club due to command pressure and 39 percent agreed that their attitude toward their club was lowered by pressure to join (questions 7 and 8, figure 1).

e. Seventy-eight percent agreed that they will always be a club member, while 19 percent said they will never join an officers' club, and 65 percent said that they would join a club in the future (questions 9, 10, and 11, figure 1).

f. Thirty-seven percent said they are not a member because dues are charged (questions 12, figure 1).

g. Twenty-two percent said there was prestige in being a club member (question 13, figure 1).

h. In response to the question of retaining membership in a combined club, 11 percent said they would in one question (question 14), while 29 percent said they would not (question 16). If clubs were combined, 14 percent said they would favor separate dining rooms (question 15, figure 1).

i. Ninety-nine percent said they have had dinner at a club (question 18, figure 1).

j. Thirty-six percent said that the luncheon menu in their club was comparable with the civilian restaurants and 62 percent said luncheon prices were comparable to a civilian restaurant (questions 17 and 24, figure 1).

k. Twenty-two percent said club dinner selection was comparable to a civilian restaurant and 57 percent said club dinner prices was comparable to a civilian restaurant (questions 19 and 25, figure 1).

l. Eighteen percent said they preferred the club to a civilian restaurant and 28 percent said club service was comparable to a civilian restaurant. Twenty-eight percent said they patronized non-military atmosphere club more (questions 22, 23, and 26, figure 1).

m. Eighty-six percent said club cocktail prices are comparable to a civilian restaurant and 67 percent said club cocktail quality was comparable to civilian restaurants (questions 20 and 21, figure 1).

n. Sixty-seven percent said they buy liquor regularly at Class VI and 73 percent said Class VI liquor was lower than local stores (questions 27 and 28, figure 1).

o. Fifty percent said they preferred a national credit card as a club card and 77 percent said they preferred a centralized club card (questions 29 and 30, figure 1).

p. 6.2 percent eat at a club at only military functions and 34 percent said they patronize the club only at military functions (questions 31 and 32, figure 1).

q. Fifty-nine percent said clubs are geared towards senior officers and 53 percent said senior officers received better service in clubs (questions 33 and 34, figure 1).

5. Conclusions.

a. The check cashing privileges, associated with being an officers' club member, are considered a major determinant of club membership.

b. The privilege to charge liquor, associated with officers' club membership could be eliminated without seriously affecting membership roles.

c. It appears a surcharge in lieu of dues would be preferable based on the food and beverage sales of the club.

d. Real or perceived command pressure to join a club appears detrimental to the clubs' overall image.

e. Tradition seems to have a strong effect on an officer becoming a member of a club, but prestige is not the reason.

f. The responses to two questions regarding joining a combined club were contradictory.

g. Liquor prices at the Class VI store are generally considered lower than local civilian liquor store prices.

h. A large percentage (34%) participate at military functions only.

i. Most of the respondents would prefer a centralized club card.

j. Over half of the respondents would also prefer a commercial national credit card.

6. Recommendations.

a. That the check cashing privilege in officers' clubs be retained.

b. That installation commanders in revising dues structures consider the surcharge or dues credit in officers' clubs as an alternative to dues, where feasible.

c. That the voluntary nature of membership in officers' clubs be stressed by all concerned in the conduct of membership campaigns.

d. That installation commanders conduct an educational campaign concurrently with any action to establish combined clubs to ensure that the club membership fully understands the necessity for such action.

FIGURE 1
ATTITUDINAL SURVEY STATISTICAL SUMMARY

1.	CR CASH REIV MAJOR REASON IN BEING MEM	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	110	22.8	22.8
	SOMEWHAT AGREE	2.	140	28.8	51.6
	UNDECIDED	3.	90	18.1	69.7
	SOMEWHAT DISAGREE	4.	99	20.1	89.8
	STRONGLY DISAGREE	5.	122	24.8	114.6
		9.	1	.2	114.8
	TOTAL		492	100.0	114.8
4.	TERMINATE MEMBERSHIP IF CASH CHANGE LTO	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	9	1.8	1.8
	SOMEWHAT AGREE	2.	20	4.1	5.9
	UNDECIDED	3.	55	11.2	17.1
	SOMEWHAT DISAGREE	4.	77	15.7	32.8
	STRONGLY DISAGREE	5.	224	45.5	68.3
		9.	107	21.7	90.0
	TOTAL		492	100.0	90.0
5.	CLUB DUES SHOULD BE ELIMINATED	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	154	31.3	31.3
	SOMEWHAT AGREE	2.	54	11.0	42.3
	UNDECIDED	3.	100	20.3	62.6
	SOMEWHAT DISAGREE	4.	66	13.4	76.0
	STRONGLY DISAGREE	5.	112	22.8	98.8
		9.	3	.6	99.4
	TOTAL		492	100.0	99.4
6.	ELIMINATE DUES AND ADD SURCHARGE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	121	24.7	24.7
	SOMEWHAT AGREE	2.	93	12.8	37.5
	UNDECIDED	3.	96	19.5	57.0
	SOMEWHAT DISAGREE	4.	60	12.2	69.2
	STRONGLY DISAGREE	5.	124	25.2	94.4
		9.	3	.6	95.0
	TOTAL		492	100.0	95.0
2.	TERMINATE MEMBERSHIP IF CR CASH ELIM	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	90	18.1	18.1
	SOMEWHAT AGREE	2.	92	18.5	36.6
	UNDECIDED	3.	92	18.5	55.1
	SOMEWHAT DISAGREE	4.	100	20.3	75.4
	STRONGLY DISAGREE	5.	155	31.5	106.9
		9.	93	18.9	125.8
	TOTAL		492	100.0	125.8
3.	CHARGING LTO MAJOR REASON IN BEING MEM	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
	CATEGORY LABEL	CODE			
	STRONGLY AGREE	1.	39	7.3	7.3
	SOMEWHAT AGREE	2.	92	12.6	19.9
	UNDECIDED	3.	77	15.7	35.6
	SOMEWHAT DISAGREE	4.	104	21.1	56.7
	STRONGLY DISAGREE	5.	197	40.0	96.7
		9.	16	3.3	100.0
	TOTAL		492	100.0	100.0

7.

OPINION OF CLUB LOWERED MY PRESS TO JOIN

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	11	23.2	23.3	23.3
SOMEWHAT AGREE	2.	77	15.7	15.7	39.0
UNDECIDED	3.	75	15.2	15.3	54.3
SOMEWHAT DISAGREE	4.	76	15.5	15.6	73.9
STRONGLY DISAGREE	5.	128	26.0	25.1	100.0
	9.	2	.4	MISSING	100.0
TOTAL		492	100.0	100.0	

10.

WILL NEVER JOIN AN OFFICERS CLUB

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	13	2.6	10.1	10.1
SOMEWHAT AGREE	2.	4	.8	9.3	19.5
UNDECIDED	3.	9	1.8	9.8	29.3
SOMEWHAT DISAGREE	4.	22	4.5	23.9	52.2
STRONGLY DISAGREE	5.	44	8.9	47.8	100.0
	9.	400	81.3	MISSING	100.0
TOTAL		492	100.0	100.0	

8.

JOINED CLUB DUE TO COMMAND PRESSURE

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	43	8.7	10.8	10.8
SOMEWHAT AGREE	2.	66	13.4	19.5	27.3
UNDECIDED	3.	35	7.1	8.8	36.1
SOMEWHAT DISAGREE	4.	85	17.3	21.3	57.4
STRONGLY DISAGREE	5.	170	34.6	42.6	100.0
	9.	93	18.9	MISSING	100.0
TOTAL		492	100.0	100.0	

11.

WILL JOIN A CLUB IN THE FUTURE

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	24	4.9	20.1	20.1
SOMEWHAT AGREE	2.	30	7.3	30.1	45.2
UNDECIDED	3.	19	3.9	20.7	65.9
SOMEWHAT DISAGREE	4.	4	.8	4.3	90.2
STRONGLY DISAGREE	5.	9	1.8	9.8	100.0
	9.	400	81.3	MISSING	100.0
TOTAL		492	100.0	100.0	

9.

WILL ALWAYS BE A CLUB MEMBER

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	207	42.1	54.0	52.0
SOMEWHAT AGREE	2.	103	20.9	25.9	77.9
UNDECIDED	3.	48	9.8	12.1	89.9
SOMEWHAT DISAGREE	4.	20	4.3	6.5	96.5
STRONGLY DISAGREE	5.	14	2.8	4.5	100.0
	9.	94	19.1	MISSING	100.0
TOTAL		492	100.0	100.0	

12.

NCT 4 MEMBER BECAUSE DIES ARE CHARGED

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	23	4.7	25.0	25.0
SOMEWHAT AGREE	2.	11	2.2	12.0	37.0
UNDECIDED	3.	5	1.0	5.4	42.4
SOMEWHAT DISAGREE	4.	13	2.6	10.1	56.5
STRONGLY DISAGREE	5.	20	4.1	43.5	100.0
	9.	400	81.3	MISSING	100.0
TOTAL		492	100.0	100.0	

13.

THERE IS PRESTIGE IN BEING A CLUB MEMBER					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	30	7.3	7.3	7.3
SOMEWHAT AGREE	2.	73	16.8	16.8	22.2
UNDECIDED	3.	53	12.8	12.8	35.0
SOMEWHAT DISAGREE	4.	145	29.7	29.7	64.6
STRONGLY DISAGREE	5.	176	35.4	35.4	100.0
TOTAL		492	100.0	100.0	

16.

RETAIN MEMBERSHIP IF COMBINED CLUB					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	23	10.8	10.8	10.8
SOMEWHAT AGREE	2.	53	12.8	12.8	23.6
UNDECIDED	3.	76	15.4	15.4	39.0
SOMEWHAT DISAGREE	4.	57	11.6	11.6	50.6
STRONGLY DISAGREE	5.	149	30.3	30.3	80.9
TOTAL		492	100.0	100.0	

14.

RETAIN MEMBERSHIP IN COMBINED CLUB					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	27	5.5	5.5	5.5
SOMEWHAT AGREE	2.	29	4.1	4.1	9.6
UNDECIDED	3.	32	6.6	6.6	16.2
SOMEWHAT DISAGREE	4.	44	8.9	8.9	25.1
STRONGLY DISAGREE	5.	302	60.5	60.5	80.7
TOTAL		492	100.0	100.0	

17.

LUNCH MENU COMP WITH CIV REST					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	40	9.3	9.3	9.3
SOMEWHAT AGREE	2.	127	25.0	25.0	34.3
UNDECIDED	3.	92	12.6	12.6	46.9
SOMEWHAT DISAGREE	4.	145	26.5	26.5	73.4
STRONGLY DISAGREE	5.	115	23.2	23.2	96.6
TOTAL		492	100.0	100.0	

15.

FAVOR COMBINED CLUB W SEPARATE ROOMS					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	20	5.3	5.3	5.3
SOMEWHAT AGREE	2.	31	8.3	8.3	13.6
UNDECIDED	3.	36	11.0	11.0	24.6
SOMEWHAT DISAGREE	4.	31	10.4	10.4	35.0
STRONGLY DISAGREE	5.	340	65.0	65.0	100.0
TOTAL		492	100.0	100.0	

18.

HAR DINNER AT A CLUB					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
YES	1.	980	97.6	97.6	97.6
NO	2.	7	1.4	1.4	99.0
TOTAL		492	100.0	100.0	

19. CLUB DINNER SELECTION EQ COMP CIV REST

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	20	6.1	6.1	6.1
SOMEWAT AGREE	2.	59	12.0	12.1	18.2
UNDECIDED	3.	87	17.7	17.9	36.1
SOMEWAT DISAGREE	4.	123	33.1	33.3	69.3
STRONGLY DISAGREE	5.	150	30.5	30.7	100.0
	9.	3	.6	MISSING	100.0
TOTAL		492	100.0	100.0	

20. CLUB COCKTAIL PRICES ARE LE TO COMP REST

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	205	51.9	54.4	54.4
SOMEWAT AGREE	2.	123	31.1	31.4	85.8
UNDECIDED	3.	37	7.5	7.6	93.4
SOMEWAT DISAGREE	4.	25	5.1	5.1	98.6
STRONGLY DISAGREE	5.	7	1.4	1.4	100.0
	9.	5	1.0	MISSING	100.0
TOTAL		492	100.0	100.0	

21. CLUB COCKTAIL QUALITY EQ CIV REST

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	137	27.8	28.2	28.2
SOMEWAT AGREE	2.	107	38.0	38.6	66.8
UNDECIDED	3.	80	16.3	16.5	83.3
SOMEWAT DISAGREE	4.	57	11.6	11.8	95.1
STRONGLY DISAGREE	5.	29	4.9	4.9	100.0
	9.	7	1.4	MISSING	100.0
TOTAL		492	100.0	100.0	

22. GREEN CLUB TO CIVILIAN RESTAURANT

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	20	6.1	6.1	6.1
SOMEWAT AGREE	2.	59	12.0	12.1	18.2
UNDECIDED	3.	87	17.7	17.9	36.1
SOMEWAT DISAGREE	4.	123	33.1	33.3	69.3
STRONGLY DISAGREE	5.	150	30.5	30.7	100.0
	9.	3	.6	MISSING	100.0
TOTAL		492	100.0	100.0	

23. CLUBSERVICE 05 TO COMP CIV REST

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	31	6.3	6.3	6.3
SOMEWAT AGREE	2.	108	22.0	22.0	28.4
UNDECIDED	3.	96	19.5	19.6	48.0
SOMEWAT DISAGREE	4.	139	28.3	28.4	76.3
STRONGLY DISAGREE	5.	119	23.6	23.7	100.0
	9.	2	.4	MISSING	100.0
TOTAL		492	100.0	100.0	

24. CLUB LUNCH PRICES LE COMP CIV REST

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	96	17.5	17.6	17.6
SOMEWAT AGREE	2.	220	44.7	44.9	62.4
UNDECIDED	3.	95	17.3	17.3	79.8
SOMEWAT DISAGREE	4.	70	14.2	14.3	94.1
STRONGLY DISAGREE	5.	29	5.9	5.9	100.0
	9.	2	.4	MISSING	100.0
TOTAL		492	100.0	100.0	

25.

CLUB DINNER PRICES LE COMP CIV REST					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	70	14.2	14.2	14.2
SOMEWHAT AGREE	2.	212	43.1	43.1	57.3
UNDECIDED	3.	86	17.5	17.5	74.8
SOMEWHAT DISAGREE	4.	81	16.5	16.5	91.3
STRONGLY DISAGREE	5.	43	8.7	8.7	100.0
TOTAL		492	100.0	100.0	

CLASSVI LIQUOR LOWER THAN LOCAL STORES

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	145	30.6	40.9	40.9
SOMEWHAT AGREE	2.	192	30.9	31.9	72.7
UNDECIDED	3.	55	11.2	11.5	84.3
SOMEWHAT DISAGREE	4.	54	11.0	11.1	95.6
STRONGLY DISAGREE	5.	21	4.3	9.9	100.0
TOTAL		492	100.0	100.0	

26.

PATRONIZE NONMIL ATMOSPHERE CLUB MORE						
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)	
STRONGLY AGREE	1.	52	10.6	13.1	13.1	
SOMEWHAT AGREE	2.	60	12.2	15.2	28.3	
UNDECIDED	3.	72	14.6	18.2	46.5	
SOMEWHAT DISAGREE	4.	106	21.5	29.8	73.2	
STRONGLY DISAGREE	5.	109	21.5	29.6	100.0	
	9.	96	19.5	MISSING	100.0	
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TOTAL		492	100.0	100.0		

PREFEM NATIONAL CREDIT CARD AS CLUB CARD

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	171	34.8	35.0	35.0
SOMEWHAT AGREE	2.	75	15.2	15.4	50.4
UNDECIDED	3.	97	19.7	19.9	70.3
SOMEWHAT DISAGREE	4.	42	8.5	8.0	78.3
STRONGLY DISAGREE	5.	109	20.9	21.1	100.0
TOTAL		492	100.0	100.0	

27.

CLV LIQUOR REGULARLY AT CLASSVI					
CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	210	43.9	45.9	45.9
SOMEWHAT AGREE	2.	101	20.5	21.4	67.3
UNDECIDED	3.	49	9.1	9.6	76.9
SOMEWHAT DISAGREE	4.	53	10.8	11.2	88.1
STRONGLY DISAGREE	5.	56	11.4	11.9	100.0
	9.	21	4.3	MISSING	100
TOTAL		492	100.0	100.0	

PREFEM CENTRALIZED CLUB CARD

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	303	61.6	65.0	65.0
SOMEWHAT AGREE	2.	74	15.0	15.1	79.9
UNDECIDED	3.	63	12.8	15.9	95.8
SOMEWHAT DISAGREE	4.	17	3.5	4.5	100.3
STRONGLY DISAGREE	5.	32	6.5	6.5	106.8
TOTAL		492	100.0	106.8	

ONLY EATEN AT A CLUB AT MIL FUNCTIONS

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
YES	1.	40	6.1	6.2	6.2
NO	2.	454	92.3	93.8	100.0
	9.	8	1.6	MISSING	100.0
TOTAL		492	100.0	100.0	

31.

PATRONIZE CLUB ONLY AT FUNCTIONS

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	40	9.8	9.9	9.9
SOMEWHAT AGREE	2.	119	24.2	24.4	34.3
UNDECIDED	3.	33	6.7	6.9	41.1
SOMEWHAT DISAGREE	4.	132	26.6	27.1	68.2
STRONGLY DISAGREE	5.	155	31.5	31.6	100.0
	9.	5	1.0	MISSING	100.0
TOTAL		492	100.0	100.0	

32.

CLUBS GEARED TO SENIOR OFFICERS

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	132	26.9	26.9	26.9
SOMEWHAT AGREE	2.	140	29.7	29.7	56.5
UNDECIDED	3.	93	18.9	18.9	75.4
SOMEWHAT DISAGREE	4.	82	16.7	16.7	92.1
STRONGLY DISAGREE	5.	25	5.0	5.0	100.0
	9.	5	1.0	MISSING	100.0
TOTAL		492	100.0	100.0	

33.

SENIOR OFFICERS RECEIVE BETTER SERVICE

CATEGORY LABEL	CODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
STRONGLY AGREE	1.	137	27.8	27.9	27.9
SOMEWHAT AGREE	2.	123	25.0	25.1	53.0
UNDECIDED	3.	114	23.0	23.0	76.0
SOMEWHAT DISAGREE	4.	77	15.7	15.7	91.6
STRONGLY DISAGREE	5.	21	4.3	4.3	100.0
	9.	1	.2	MISSING	100.0
TOTAL		492	100.0	100.0	

34.

FIGURE 2

ATTITUDINAL SURVEY INDIVIDUAL COMMENTS

GEN	Clubs should favor more on service to retired personnel.
COL	Clubs need the creation of a compatible atmosphere.
LTC	Decline of the clubs is a result of decline in the military community residing on post. Do not patronize clubs due to the lack of atmosphere. Laxity in dress codes in clubs has been untasteful. For the same reason it turns cocktail lounges into bars and restaurants into diners. Don't want to associate with people I work with all day.
MAJ	Membership in clubs is a condition of employment. Main reason for being a member is that one cannot join the golf club unless a club member. Retired military personnel receive the best service. Clubs are fettered by a myriad of inappropriate regulations and restrictions. Senior officers have archaic influences on clubs. Club management should be severed from the military. Command pressure to join, reflection on OER's and maintenance of club membership charts by units are a disgrace. Clubs need to be rekindled by new leadership unencumbered by old fashioned senior officers. To create greater comraderie, tennis courts/racketball courts should be located adjacent to the club. Male and Female GO-GO dancers should be eliminated. Reason for low membership - poor service and little formal training for managers. Eliminate Happy Hour...don't need the encouragement to drink more.

AD-A059 767

ADJUTANT GENERAL CENTER WASHINGTON D C
ARMY CLUB MANAGEMENT STUDY 1977. VOLUME II. APPENDICES.(U)
APR 78 J H BATTS, R HENDERSON, F LEE

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CPT

Clubs should provide more types of entertainment (other than drinking)...game room with billiards, pool table, etc.

Club managers need flexibility...they are hampered by inadequate funding and over-regulation.

Establish a Club Support Fund...\$3.00 annual deduction from all active duty and retired...currently done by the Navy.

Joined a combined club because it was the only thing available.

Don't want to associate with people you work with all day.

Too extensive use of clubs by nonmembers, i.e., civilians.

Under present personnel regulations it is too hard to remove bad civilian employees, thus affecting the attitudes of other employees and resultingly affects service.

The club is a glorified bar.

1LT

Clubs are havens for alcoholics...need a game room... more entertainment.

2LT

Clubs are poorly managed.

CW3

Clubs discourage family participation.

Officer Wives Clubs run the club.

5A

APPENDIX 5-A

WITHDRAWAL OF ALL APPROPRIATED FUND (APF) SUPPORT FOR CLUBS ARMY-WIDE

1. General. This appendix evaluates the extent of the impact upon clubs of the potential curtailment or withdrawal of appropriated fund support for clubs; proposes actions to be initiated by HQDA which will require installations to develop plans to adjust club operations Army-wide to ensure offset of the reduction or loss of APF support. Identifies the alternative management structures considered by this study that can best execute and predictably accomplish action to develop and implement that plan.

2. Condition. Army clubs have been and are presently managed to provide maximum goods and service for lowest possible cost to club members. They have relied on APF support to avoid operating expenses from club NAF operating income. DOD Demographic Survey Report data identifies by category \$27 million APF support provided clubs in FY 76. A summary of this report is provided as table 1. DODI 7000.12 quarterly reports through the past quarter corroborate that same level of support. Personnel support alone has saved clubs more than \$13.5 million in FY 76. Combined TDA's Army-wide provide authorizations for greater than a battalion size workforce of APF paid military and DAC club managers. As of July 1977 authorized strength was 1,034. Conversion of these positions to NAF would cost an estimated \$23.4 million. Based on the survey results and personnel conversion costs, the cost to offset the withdrawal of APF club support is estimated at \$36.9 million.

3. Methodology.

a. The ability of clubs to sustain the loss of APF support was measured for FY 76 and FY 77 plus three quarters of FY 78. Clubs were categorized based on the length of time they could continue operations with the current level of APF support, but assuming a liability to reimburse the government for the cost of such support. The amount of this liability was adjusted to include NAF civilians vice military and DAC personnel assigned to clubs. Therefore, computed costs of NAF civilians were used in lieu of reported costs of APF personnel to ensure measurement of the proper perspective. Four categories were determined:

(1) Category 1. Those club branches that could reimburse the adjusted cost of APF support from operating income without recourse to fund equity.

(2) Category II. Those club branches that would have to draw on fund equity to reimburse APF support costs but at a rate that could be sustained in excess of 3 years.

(3) Category III. Those club branches that would have to draw on fund equity to reimburse APF support costs but at a rate that could be sustained for not more than 1.0--2.9 years.

(4) Category IV. Those club branches that would have to draw on fund equity to reimburse APF support costs but at a rate that could not be sustained for up to .9 of a year. A comparison of categorization of clubs for FY 76 and FY 7T plus three quarters of FY 77 is shown in figure 1.

FIGURE 1

COMPARISON OF 224 ARMY CLUB BRANCHES IN CONUS AND USAREUR BASED
ON THEIR ABILITY TO SUSTAIN THE LOSS OF APF SUPPORT

FY 76 and FY 7T Plus Three Quarters FY 77

	C A T E G O R I E S			
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
FY 76	8.1%	18.3%	25.4%	48.2%
FY 7T plus 1-3 Qtrs FY 77	10.3%	20.1%	25.4%	44.2%

Most critical are those clubs in Categories III and IV which include 73.6 percent of club branches measured for FY 76 and 69.6 percent of club branches measured as of 30 June 1977. This difference attests to the general overall improvement of the financial condition of individual club branches while benefiting from currently authorized APF support.

b. Financial condition of Army clubs while receiving APF support has constantly improved operations in the past 3 years. A comparison of club operating results is shown in figure 2.

FIGURE 2
COMBINED CLUBS OPERATING RESULTS, ARMY-WIDE
(in Millions)

<u>Section I</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 7T and First Three Qtrs FY 77</u>
Sales	\$201.4	\$207.9	\$218.5
Other Income	37.8	38.8	40.5
Total Income	239.2	246.7	259.0
Costs of Goods	105.3	109.5	114.2
Total Expenses	127.8	129.8	134.5
Net Income (NI)	\$ 6.1	\$ 7.4	\$ 10.3
Percent NI to Sales	3.0%	3.6%	4.7%
 <u>Section II</u>	 <u>FY 75</u>	 <u>FY 76</u>	 <u>Third Qtr FY 77</u>
Number of Club Branches	286	289	265
Number Profitable	192	200	201
Number Unprofitable	94	89	64
Percent Unprofitable	32.9%	30.8%	24.2%

c. Should clubs have had to reimburse the cost of APF support in FY 76 and to have employed NAF personnel during that period vice assigned military and DAC personnel, club operating costs would have had to have been increased by \$36.9 million, an average of 29 percent. The financial impact of this simulated increase in operating expenses is shown in figure 3.

FIGURE 3
COMBINED CLUB OPERATING RESULTS, FY 76
COMPARED TO SIMULATED INCREASE IN OPERATING EXPENSES
TO OFFSET THE COST OF WITHDRAWAL OF APF SUPPORT

	<u>Actual</u>	<u>Simulated</u>	<u>Difference</u>
Sales	\$207.9	\$207.9	\$ 0
Other Income	38.8	38.8	0
Total Income	246.7	246.7	0
Cost of Goods	109.5	109.5	0
Total Expenses	129.8	166.7	36.9
Net Income (NI)	7.4	(29.5)	36.9
Percent NI to Sales	3.6%	(14.0%)	(17.6%)

d. To offset the adjusted cost (\$36.9 million) of withdrawal of APF club support by October 1980 and to provide for the minimum net income objective of five percent of sales will, based on FY 76 operating results, require clubs to generate approximately 19 percent additional net income (14.0 and 5 percent).

e. An analysis of the degree to which clubs within individual MACOM's are dependent upon APF support and consequently, will by that same degree, augmented by additional NAF personnel costs, have to generate additional operating income to offset withdrawal of such support is shown in figure 4.

FIGURE 4

ANALYSIS OF THE FINANCIAL IMPACT OF THE COST OF
WITHDRAWAL OF APF SUPPORT FOR CLUBS BY MACOM, ARMY-WIDE

MACOM	Percent APF Support to Combined Club Sales		Average Mean % Increase in Net Income to Offset Adjusted APF Support and Breakeven
	<u>DOD Demo Survey</u>	<u>Adjusted</u>	
DARCOM	38%	45%	40%
FORSCOM	17	21	18
TRADOC	13	16	10
USAREUR	18	21	20
All Other	14	18	29

Clubs having received much APF support will have a greater cost offset as a result of significant curtailment or withdrawal of all APF support. As shown in figure 4, Army clubs in DARCOM, all other MACOM's and USAREUR have the largest amounts of offset.

4. Alternative Operational Modes. Considering the alternative organizational structures for management of the Army club system that are a part of this study, the potential for clubs to offset the cost of withdrawal of APF support must be determined for two modes of operation:

a. As it impacts on individual club systems as they are now operated under a decentralized mode as local installation NAFI's (Alternatives II and III). Under this mode, the problem is one of determining each individual club's capability to unilaterally offset the cost of withdrawal of that amount of APF support that it is now receiving or that it will be receiving at the time such support is withdrawn.

b. As it impacts on clubs Army-wide in a fully centralized mode as part of a financially integrated centrally operated Army club system (Alternative 1). The problem in this mode is one of determining the capability of an integrated Army club system to offset the cost of withdrawal of APF support that it would be receiving at the time such support is withdrawn. Because of requisite fiscal integration of all Army club funds, this mode provides for leveling of net income between profitable and marginal clubs.

5. Examination of Individual Club's Capability to Offset the Cost of Withdrawal of APF Support.

a. Two separate analysis were made to determine:

(1) Offset costs for individual club branches and;

(2) The length of time each club branch could sustain the offset cost of withdrawal of all APF support considering payment of offset costs from current operations and fund equity (net worth).

b. The offset cost for each fund examined was computed to show its relationship of sales. An extract of the analysis is provided at figure 5. This analysis is shown in appendix 5-B.

FIGURE 5

OFFSET COSTS FOR THE WITHDRAWAL OF APF SUPPORT
FOR INDIVIDUAL CLUB BRANCHES IN CONUS AND USAREUR
EXTRACT

MACOM		OFFSET COSTS	C A T E G O R I E S **			
Installation Club		Percent to Sales *	I	II	III	IV
<u>System and Branch</u>		<u>to Breakeven</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>
<u>DARCOM</u>						
TARCOM	NCO	NONE	N/A			
Watervliet	OFF	41%			1.0	
Yuma	OFF	236%				0.3
<u>FORSCOM</u>						
IGMR	NCO	6%		46.7		
Kiley	OFF	41%				0.7
Douglas	NCO	126%				0.4
<u>TRADOC</u>						
Lee	OFF	1%		55.5		
Monroe	NCO	41%			2.7	
Leavenworth	NCO	83%				0.04

FIGURE 5 (Cont'd)

<u>ALL OTHER MACOM</u>				
Pentagon AC	CONSOL	4%	34.8	
Arlington Hall	NCO	35%		0.9
Detrick	CONSOL	51%		0.5
<u>USAREUR</u>				
Berlin	NCO	1%	58.7	
Worms	OFF	41%		0.4
Giessen	OFF	89%		0.01

*Percent takes into consideration club's percent net income to sales as of 30 June 1977.

**Category identifies number of years club branches could offset the impact of the cost of withdrawal of APF support from Fund Equity (less Depreciation): I--sustain loss from operating income, II--sustain loss from Fund Equity for more than 3 years, III--sustain loss from Fund Equity for up to 3 years and IV--sustain loss from Fund Equity up to .9 of a year (11 months).

6. Examination of the Capability of a Financially Integrated Army Club System to Offset the Cost of Withdrawal of APF Support.

a. Financial integration of clubs Army-wide would transfer all assets and liabilities of club branches to the Army Club Fund (ACF). This would change their status from separate fund entities to subsidiaries of the ACF and also give the ACF a vested interest. As such, each would be responsible for making a predetermined budgeted contribution to the overall financial condition of the Army club system. Those activities capable of producing additional net income would be charged to do so, those that would need subsidization to ensure continuation of operations would be budgeted to operate on a breakeven or loss basis pending favorable results of actions that would be directed to efficiently manage and control their expenses based on their operating income. Individual club capital expenditure requirements would be prioritized by the Board of Directors and compete for financing from club funds allocated for that purpose.

b. Figure 4 above does not specifically apply under this mode of operation as fund equity of clubs Army-wide would be combined and centrally managed. This provides for programing of the period of time the Army club system could sustain operations of individual clubs during the offset period.

c. Figure 5 (Appendix 5-B), however, is critical as it shows the amount of each club branch's imbalance in operating income and expense. Consequently, the Army club system would need to plan, implement, follow through, adjust as need be, and achieve a reasonable degree of success for those actions listed in paragraph 7, below.

7. Method of Offsetting the Cost of Withdrawal of APF Club Support. Improving Army-wide club's financial condition will have to be caused by a combination of actions based on increasing income and decreasing expenses. Provided below is an analysis of major income activities and major elements of expense which depicts the potential range of adjustment. A separate analysis follows of those factors outside the control of club managers at installation level that are considered to limit the extent to which income and expense adjustments can be made. These analyses provide a range of adjustments applicable to the overall system. A separate analysis needs to be made for each club annex of individual installation club system branches Army-wide prior to implementation of any action resultant from this study. (See paragraph 8.)

a. Income. Income is produced from sales of goods and services (Sales Income) and from sources other than sales departments such as vending machines, membership dues, dividends from club operated package beverage branches, the USAREUR Class VI Agency (for clubs in USAREUR), bingo, fees/charges, and interest on investments (Other Income).

(1) Sales Income. The number of sales departments by club varies as does membership use and sales volume by department. Food and bar departments are the primary sales generating club activities. Various other sales departments are operated by Army clubs (e.g., swimming pool, golf course, guest house). The volume of sales is controlled by unit price and the number of times each unit is sold. Consequently, sales volume can be increased by raising prices, increasing number of units sold or a combination thereof.

(a) Raise Prices.

1. There are two basic parts to pricing cost of goods which is the club's cost of ingredients for items offered for sale and gross income (profit) from which club's pay all operating expenses and derive net income (profit). At the present time, the Army-wide average cost of goods is 44 percent and gross income is 56 percent. Commercial restaurant/cocktail lounges average 35 percent cost of goods and 65 percent gross income. This difference results in substantial savings for Army club members. For example, should an average Army club and a commercial restaurant/cocktail lounge each sell an identical item for which each paid a unit price of 44 cents, the club sell price would be less as indicated in figure 6.

FIGURE 6

COMPARISON OF SELL PRICE IN AN AVERAGE ARMY CLUB
AND A COMMERCIAL RESTAURANT/COCKTAIL LOUNGE

	Army Club		Commercial Restaurant/ Cocktail Lounge		Difference	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Cost of Goods	\$.44	44%	\$.44	35%	-0-	(9%)
Gross Income	<u>.56</u>	<u>56%</u>	<u>.82</u>	<u>65%</u>	<u>\$.26</u>	<u>(9%)</u>
Sales Price	<u>\$1.00</u>	<u>100%</u>	<u>\$1.26</u>	<u>100%</u>	<u>\$.26</u>	<u>26%</u>

2 As shown in figure 6 above, the average Army club offers 9 percent more value and 26 percent better prices than the average commercial restaurant/cocktail lounge. If club sell prices were to be increased by 10 percent, they could still be competitive. Note that because cost of goods is a fixed amount (e.g., 44 cents as shown in figure 6) its relationship to sell price will change if prices are increased. The impact of a 10 percent price increase is shown in figure 7.

FIGURE 7

COMPARISON OF AN AVERAGE ARMY CLUB
AND A COMMERCIAL RESTAURANT/COCKTAIL LOUNGE

Ten Percent Increase In Club Sell Price

	Army Club		Commercial Restaurant/ Cocktail Lounge		Difference	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Cost of Goods	\$.44	40%	\$.44	35%	-0-	(5%)
Gross Income	<u>.66</u>	<u>60%</u>	<u>.82</u>	<u>65%</u>	<u>\$.16</u>	<u>(5%)</u>
	<u>\$1.10</u>	<u>100%</u>	<u>\$1.26</u>	<u>100%</u>	<u>\$.16</u>	<u>15%</u>

3. As shown in figure 7, even with a 10 percent increase in sell price clubs could continue to offer up to 5 percent more value and 15 percent better prices than commercial restaurants/cocktail lounges.

4. An increase of 10 percent in club sales for FY 76 would have produced \$20.7 million additional net income (sales \$207. million x .10).

b. Other Income. There are four primary sources of other income: membership dues, dividend distribution from club operated package alcoholic beverage stores, bingo, and fees/charges. Army clubs in USAREUR also derive considerable other income from consessionaire sales and bazaars. As each of the four sources is separate and distinct, each shall be discussed separately.

(1) Membersphip Dues.

(a) Army Regulation 230-60 authorizes Army clubs to charge membership dues. Membership dues may be charged to finance capital asset acquisition, replacement, and improvement or for liquidating long term indebtedness. There is no fixed requirement as to the frequency or the amount of such dues and no requirement that a flat or staggered dues rate be used.

(b) In practice, officers' and consolidated clubs have traditionally charged dues and enlisted clubs generally have not. However, some enlisted clubs do charge dues. Membership dues are most commonly charged at a flat rate applicable to all dues paying members; dues are billed and collected monthly in officers' and consolidated clubs and are collected at enlisted clubs at the beginning of each month and club cards are issued or validated for the current month. The average amount of dues charged in officers' clubs Army-wide was \$8.75 in 1975.

(c) The amount of dues charged by officers', consolidated and enlisted clubs varies by club, Army-wide, based on each club's actual requirement for other income and limited to a degree by commander's appreciation of just how much higher dues can be raised without adversely impacting upon membership use of clubs or causing members to resign their membership. Membership dues income for clubs Army-wide for the first three quarters FY 77 are shown in figure 6.

FIGURE 8

COMBINED MEMBERSHIP DUES FOR CLUBS ARMY-WIDE

First Three Quarters FY 77

	<u>OFF BR</u>	<u>ENL BR</u>	<u>CONSOL BR</u>	<u>TOTAL</u>
Dues Collected	\$ 9.26 Mil	\$ 1.58 Mil	\$.43 Mil	\$11.3 Mil
Percent to Sales	17.0	1.9	8.6	

Projected Membership Dues for FY 77 - \$15 Mil

(d) Club branches Army-wide have been using membership dues to support daily operations in contravention of the prescribed use of membership dues (see paragraph 4-3, AR 230-60). Consequently, collectively clubs have not made the needed investment in capital asset acquisition, renovation and replacement. Membership dues equate to approximately 7 percent of combined club sales Army-wide in FY 77.

(e) A modest 10 percent increase in membership dues rates rounded off to the next highest dollar applied to club operating results would have produced additional income of \$1.5 million in FY 76 and \$1.5 million in FY 77 plus three quarters of FY 77.

(f) Notwithstanding that clubs are membership activities, many installations have opened their clubs to nonmembers during the lunch period to provide necessary dining facilities to personnel assigned to the installation. During the time these personnel use clubs they enjoy all the benefits of club activities and cause appreciable wear and tear on club buildings, floor coverings, furniture, fixtures and equipment, yet they do not pay dues.

(g) A 10 or 15 percent service tax could be applied to guest checks for food and bar sales of nonmembers exclusive of military personnel in designated essential messes permitted to use clubs during installation lunch periods. No statistics are available at this time to determine the potential for additional income from this source. However, it is estimated that 30 percent or greater of weekday lunch sales are to nonmembers.

(2) Bingo Activities. Bingo can be big business. Enlisted clubs generated \$2.1 million in bingo income in the first three quarters FY 77 while officers' clubs generated \$268 thousand and consolidated branches \$107 thousand. It can not be readily predicted, in the scope of this study, just how much more income clubs can generate from bingo. The TAGCEN training brief, Bingo for Profit, provides excellent guidance on determination of the bingo market and how to organize, advertise, and conduct bingo operations.

(3) Dividends from Club Operated Package Alcoholic Beverage Sales. Club operated package alcoholic beverage retail stores are authorized by AR 210-65 to sell at not less than 90 percent of the lowest sell price exclusive of state sales tax of these retail stores in the area surrounding the installation. Even the more strict application of this standard will produce higher and lower prices than some local stores because different prices from different stores are used. If this requirement is not being rigorously applied then there would be package alcohol beverage retail stores with average prices that are either higher or lower than the 90 percent standard. Though a store by store survey has not been taken, information garnered from onsite technical training and management assistance teams shows that variances did exist on the high and low side of the 90 percent standard. It is recognized that prices will vary from store to store and from state to state for reasons such as operating cost, buying practices, quantity discounts, state controlled pricing, and state taxes. The vast difference in net income from package beverage sales indicates a potential for a closer relationship to the present Army-wide average of 14.6 percent.

(a) The range of net income to sales and a comparison of package beverage sales for individual MACOM's to the Army-wide 14.6 percent net income to sales for combined operating results of package beverage retail stores is shown in figure 9.

FIGURE 9

NET INCOME TO SALES PERCENTS FOR CLUB OPERATED
PACKAGE BEVERAGE STORES BY MACOM

Compared to Army-wide Average 14.6 Percent Net Income to Sales

FY 7T and Three Quarters FY 77

	<u>Net Income to Sales</u>		<u>Average Net Income</u>	<u>Difference From 14.6% Average Army-wide NI to Sales</u>	<u>Potential Gain in Net Income</u>
DARCOM	2.8	22.6%	14.70%	.10%	\$ 6,451
FORSCOM	6.3	20.1	14.1	(.50%)	182,862
TRADOC	8.7	13.5	13.5	(1.10%)	244,412
ASA	14.6*		14.60		
DLA-DGSC	10.7*		10.70	(3.90%)	40,394
MTMC	7.3*		7.30	(7.30%)	38,619
USACC	9.4	15.8	10.00	(4.60%)	40,234
USMA	11.70		11.70	(2.90%)	29,652
USARJ	16.7	19.8	18.25		
EUSA	14.1	24.7	20.03		
					<u>\$582,664</u>

*One Store

(b) Figure 9 above shows a potential gain of \$582,664 could be realized if all package alcoholic beverage retail stores achieved at least the Army-wide average of 14.6 percent net income to sales.

(c) Package alcoholic beverage retail stores were established primarily as a convenience to members of military communities. The 90 percent of average local sell price standard was adopted to preclude intentional under pricing and to guard against inadvertant over pricing in relation to local liquor stores. Notwithstanding, club operated package alcoholic beverage retail stores have a price advantage over some local stores either because various local prices are used to establish Army prices; their prices have changed since the survey; and local stores are required to charge state sales tax which in itself is 5 percent of sell price in many instances.

(d) Based on package alcoholic beverage sales in FY 76 and FY 77, a 10 percent across the board increase in sell prices with no change in cost of goods or operating expenses would have produced additional net income of \$7.4 million in FY 76 and \$7.9 million in FY 77.

(4) Fees and Charges. Clubs operate many activities other than food and beverage activities. Such activities are also found in neighboring civilian communities surrounding Army installations; golf courses, tennis courts, swimming pools, guest houses, and dog kennels to name a few. There is no data available at this headquarters to provide proper analysis of the potential for additional income in operation of these activities. A cursory review of prevailing fees and charges of local commercial activities compared to those charged by Army clubs is sufficient to indicate the present cost benefit to club members when using these club activities and clubs' range for increase in fees and charges.

(5) Interest on Investments.

(a) AR 230-60 requires Army clubs to invest cash that is excess to operating requirements. The Army Club Fund (ACF) and the USAREUR Club Fund have centralized investment programs. Clubs are encouraged to use the Central Investment Program (CIP) of the ACF as it provides for a higher rate of return than can be currently obtained from any other authorized source of investment of club funds. A recent review of excess operating cash for clubs Army-wide identified an additional \$3.7 million that could have been invested. Commanders were asked to review the cash position of club branches at their installation club systems and to ensure prompt and continuous investment of cash excess to operating requirements. Should clubs collectively invest the \$3.7 million identified as excess to their requirements it would generate \$278 thousand interest in a 12-month period.

(b) The Air Force and Navy have established centralized banking for their clubs throughout the world. These programs basically provide for clubs to continue depositing daily receipts into their local bank accounts. Their banks are instructed to transfer any amount (rounded to \$100) that is in excess of \$100 to the central bank for the respective services. Club managers then write checks on the central bank for all expenditures. Each service has an authorization threshold to monitor checks written for large amounts. The services then invest cash on hand in the central bank that is determined excess to the daily operating requirements of their clubs. In the Air Force, their equivalent of the ACF accrues all interest on investments. In the Navy, the clubs accrue interest earned on their investments. The Air Force and Navy have not measured the amount of additional cash invested as a result of their central banking/investment programs.

(c) It is estimated that should the Army initiate and operate a central banking/investment program that an additional \$11 million excess operating cash could be invested annually for the Army club system. Applying the current interest rate paid by the CIP, this would produce \$750 thousand additional interest income in a 12-month period.

c. Expenses. Major categories of expense are: cost of goods sold (COGS), departmental labor, administrative labor, central accounting office (CAO) service charge, commercial entertainment, bingo prizes, administrative support branch (ASB) and depreciation. With the exception of commercial entertainment which is a service and bingo prizes and depreciation, all other categories of major expense are primarily labor. Distribution of expense in relation to total revenue is shown in figure 10.

FIGURE 10

PERCENT OF COMBINED OPERATING EXPENSES
OF CLUBS ARMY-WIDE TO TOTAL REVENUE

Third Quarter FY 77YTD
(\$ In Thousands)

<u>TOTAL EXPENSE</u>	<u>DARCOM</u>	<u>FORSCOM</u>	<u>TRADOC</u>	<u>OTHER CONUS</u>	<u>PACIFIC</u>	<u>USAREUR</u>	<u>TOTAL</u>
Total Revenue	\$12,283	\$59,888	\$40,148	\$14,419	\$21,314	\$46,239	\$194,291
COGS	6,028	29,992	19,337	5,649	10,500	13,985	85,491
Dept Labor *	2,435	9,902	6,787	3,669	3,377	11,954	38,124
Admin Labor *	879	4,610	3,294	1,401	1,847	5,772	17,803
CAO *	494	1,087	797	337	32	1,123	3,870
Comm. Ent.	374	2,046	1,561	428	896	3,556	8,861
Bingo Prizes	234	1,814	1,578	438	525	1,528	6,117
ASB *	129	1,938	1,124	264	1,145	1,629	6,229
Depreciation	238	1,218	1,075	344	619	986	4,480
All Other Expenses	854	4,165	3,194	1,344	1,629	3,733	14,919
*Total Labor Ex- penses (Dept. Labor, Admin Labor, ASB, CAO)	3,937	17,537	12,002	5,671	6,401	20,478	66,026

Cost of Goods Sold for the period was 44 percent of total revenue and labor to include, departmental, administrative, CAO, and ASB was 34 percent of total revenue. These two items of expense account for 78 percent of total expenses.

(1) Cost of Goods Sold (COGS).

(a) The amount of COGS as shown in figure 10 above is, according to accounting records, the value of that amount of inventory charged as having been used during the accounting period to produce all food and beverage items sold through club sales departments. COGS is normally expressed as a percentage of sales as this verifies the accuracy of pricing. The difference between COGS and sales price is gross income. Therefore, this relationship must be continuously monitored to detect any

variation in cost of goods that would result in a greater or lesser amount of gross income. A greater amount of gross income could increase clubs net income and a lesser amount of gross income could cause an operating loss. Separate analysis are routinely made in conduct of the CMD Review and Analysis function for club branches Army-wide to determine deviations of COGS and other categories of expense from approved operating objectives. These analyses have shown that in many instances this relationship varies erratically with no apparent explanation. Variances are too great and fluctuate to a degree that can only indicate lack of control over COGS.

(b) Those clubs not experiencing erratic variations but having constant differences between computed and actual COGS also have control problems. There are many clubs that provide too much food/beverage or items that are too costly in relation to sales prices or that because of poor menu design have a sales mix (that combination of items sold each having a different cost of goods relationship to sales price) that generates sales of predominately high cost (in relation to sales price) items. This results in a high average COGS. The vast majority of Army clubs can be categorized under one or more of the above conditions.

(c) It could be possible with proper analysis of each club's food and beverage programs to generate savings in this area of 10 percent. Considering that COGS expenses for FY 76 were \$109.6 million and for FY 77 and three quarters of FY 77 were \$114.0 million, application of a 10 percent decrease in this category of expense could have produced \$11 million savings in FY 76 and \$11.4 million savings in FY 77 and three quarters of FY 77.

(2) Labor. As indicated in figure 10 above, club labor represents 34 percent of all club costs. There are two basic differences between club labor and that of comparable commercial restaurants/cocktail lounges. Clubs employ a higher percentage of their work force as full-time employees and clubs have approximately 13 percent higher wage costs than their commercial counterparts. The latter is due to Public Law 92-392 that requires payment of shift and night differentials, time and a half for overtime and double time on holidays and precludes clubs from taking advantage of the tip offset credit. Consequently, much of club's payroll costs are quasi-fixed expenses. Only that part of the payroll that provides for payment of part-time personnel and for overtime is a variable expense. Labor costs must be reduced. To do this will require drastic decisions and in some instances radical changes to club operations to adjust expenses to achieve a proper relationship with club operating income. The general 10 percent reduction in expenses proposed at the beginning of this chapter would have produced a \$8.5 million savings in FY 76 and a \$8.9 million savings in FY 77 and three quarters FY 77.

(3) Commercial Entertainment. Commercial entertainment is a tremendous business builder, one of the best that clubs have. Club expenditures Army-wide for commercial entertainment are shown in figure 11.

FIGURE 11

COMMERCIAL ENTERTAINMENT EXPENSE TO
TOTAL REVENUE FOR CLUB BRANCHES BY CATEGORY AND BY MACOM

First Three Quarters FY 77 Extrapolated to Four Quarters
(\$ In Thousands)

	Percent <u>OFF Branch</u>	Percent <u>ENL Branch</u>	Percent <u>CONSOL Branch</u>
DARCOM	3.9	7.3	6.5
FORSCOM	4.7	7.7	0
TRADOC	4.8	8.5	0
OTHER CONUS	3.3	6.1	0.3
PACIFIC	4.2	6.9	5.9
USAREUR	4.5	10.2	4.7
Average	4.25	7.78	4.35
Mean Average	4.45	7.5	5.30

A recomputation of the average and mean average percent for enlisted clubs exclusive of USAREUR produced 7.3 for each of the two thus attesting to the homogeneity of average percent of expense for those MACOM's.

Conversely, it shows that commercial entertainment expenses for enlisted clubs in USAREUR are 40 percent greater than the adjusted 7.3 percent average for all other MACOM's. Total commercial entertainment expenses for FY 76 and FY 7T plus three quarters of FY 77 were \$24.9 million. Applying a 10 percent reduction to this expense would have produced savings of \$1.3 million in FY 76 and \$1.2 million in FY 7T plus three quarters FY 77.

(4) Factors Outside the Control of Club Managers that Impact on Clubs Ability to Offset the Cost of Withdrawal of Appropriated Fund Support.

(a) Club branches of installation club systems Army-wide are provided technical services on a reimbursable basis from centralized installation activities, accounting (except in USAREUR and Korea), civilian personnel administration, purchasing and contracting. These reimbursements are variable expenses. The club managers have no control over the quality, completeness, timeliness or cost of these services. These costs in many instances fluctuate without pattern from month to month with variances in excess of \$500. Club managers cannot plan for and should not be required to plan for variations in expense of this magnitude.

(b) Under Alternatives II and III of this study, the decisions to fix the level of these reimbursements is vested in 146 individual installation commanders. Consequently, the possibility of reduction and/or stabilization of these expenses cannot be accurately predicted as they are subject to that same number of individual determinations.

(c) Under Alternative I these technical services would be internal to the Army club system and could be reduced and stabilized.

8. Actions Required by Installations to Develop Plans to Offset the Cost of Withdrawal of APF Support.

a. Under Alternatives II and III.

(1) Installation commanders must determine the following for each club annex (facility) Army-wide.

(a) The exact amount of APF support received on a recurring basis by category prescribed for DODI 7000.12 quarterly reports.

(b) The actual need for such support received on a recurring basis.

(c) The cost of continuing only the actual amount of APF support now provided by category but as a direct expense to the club either from the current source or best alternative source.

(d) The impact of these additional expenses upon club operations.

(e) The current and future need for the club annex.

(2) Preparation of a Five-year Operational Plan.

(a) Prepare a five-year budget using the forms prescribed by the current HQDA TAGCEN Club Budget LOI.

(b) Prepare a realistic time phased plan of action that establishes the glide path of expenses to bring them in line with budget objectives. Identify those areas in which technical assistance is needed.

(c) Submit plan and budget for review, by CMD, TAGCEN, for Alternative II or MACOM for Alternative III.

(d) Provide authorized APF support to the extent practicable as a deliberate cost avoidance to clubs. This will increase clubs' potential for generating some fund equity during the offset period.

(e) Based on CMD, TAGCEN or MACOM approval of five-year budget and operating plan:

1. Execute plan of action.
2. Adhere to milestones.
3. Evaluate progress based on objectives/milestones.
4. Make minor adjustments as required (ones that would slip a milestone for more than one month).
5. Seek approval for significant adjustment.
6. Seek technical advice when its needed.

(3) Communicate the Problem. Membership should be apprised of the problem to ensure that they are fully aware of the risks. They should be brought into planning so that they understand the need for the actions that will have to be taken and will be prepared to accept the favorable and unfavorable consequences. Club managers will need help and cooperation from membership during this period if they are going to continue to have a club.

b. Under Alternative I. Adoption of this alternative would require transition. CMD, TAGCEN would plan, direct, and take action to prepare the Army club system to evolve to the Army Club Command. Commanders must work in coordination with Army Club Command to ensure that clubs continue to do their part as an active element of commanders' MWR program and to satisfy the continuing needs of military communities Army-wide.

(1) Installation commanders must determine the following for each club annex (facility) Army-wide. Those determinations cited in paragraph 8a(1) above apply.

(2) CMD, TAGCEN must take the following actions:

- (a) Financially integrate clubs Army-wide as subsidiaries of the Army Club Fund.
- (b) Establish a management information system.
- (c) Develop operational procedures to systematize Army-wide club operations.
- (d) Plan and establish an accounting system.
- (e) Develop and establish a NAF civilian club manager career program.
- (f) Develop and establish a club manager intern program.

- (g) Develop and establish a club manager recruitment program.
- (h) Develop and establish model clubs as intern training sites.
- (i) Evaluate commanders' submission of determinations made as a result of paragraph 8a(1) above.
- (j) Determine financial and operational objectives for each club annex (facility) Army-wide.
- (k) Develop a plan to execute, evaluate and adjust Army-wide club operations to achieve financial self-sufficiency.
- (l) Generate and finance a club facility improvement program.
- (m) Develop and establish a program for the centralized operation/control of package alcoholic beverage sales and revenues.

5-B

APPENDIX 5-B

CATEGORIZATION AND BREAK-EVEN ANALYSIS OF 224 CLUB BRANCHES IN CONUS AND USAREUR BASED ON THEIR ABILITY TO SUSTAIN WITHDRAWAL OF ALL APPROPRIATED FUND (APF) SUPPORT

1. General.

a. The withdrawal of APF support was simulated.

b. The financial status of each of 224 club branches (78 percent of all club branches Army-wide) in CONUS and USAREUR for FY 76 and for FY 77 plus the first three quarters of FY 77 were examined. Total APF support provided in FY 76 per the DOD Demographic Survey was determined for each club branch and an offset cost percentage of 36 percent (additional cost of NAF civilians vice military and DAC personnel) based on DODI 7000.12 added to club expenses for the two periods. This adjusted the club branches net income (profit/loss) by that same amount. This adjustment shows the financial status of club branches had they been charged for this APF support for both periods (1976 and 1977) but assuming they would have employed NAF civilians in lieu of military and DAC personnel and had they made no other changes. Printouts of Demographic Survey Data for the remaining 65 club branches was not available.

c. Adjusted net incomes were then divided into each club branch's fund equity (net worth) less depreciation for fixed assets. This provided the number of years that each club branch could have sustained operations at the same level as in FY 76 assuming each would be charged for APF support.

d. Clubs were then ranked by the number of years they could sustain the simulated withdrawal of funding for APF support and categorized.

(1) Category I--Still profitable; considered self-sufficient.

(2) Category II--Could sustain operations for three or more years; could achieve self-sufficiency from operational income with some technical guidance.

(3) Category III--Could sustain operations for one to 2.9 years; could not achieve self-sufficiency from operations without extraordinary technical training and management assistance.

(4) Category IV--Could sustain operations for up to .9 of a year; could not predictably achieve self-sufficiency from operations in that same time frame to preclude insolvency.

e. Each of the club branches was then analyzed to determine the amount of offset after withdrawal of APF funds necessary in order to break-even from operations. The APF support provided each club branch, derived in paragraph 1b was computed as a percentage to total sales for the period of July 1976 through 30 June 1977 to show its relationship to sales. This APF support percentage to sales was then either added to or subtracted from the 30 June 1977 percentage of net income to sales. The difference, expressed in a plus percentage figure, indicates the number of percentage points of increase to the 30 June 1977 net income necessary for each club branch to achieve a break-even financial posture.

2. Ranking and Categorization of Club Branches by MACOM. A separate ranking and categorization of clubs, based on the criteria in paragraphs 1b, c, and d, was made for Army club branches within each MACOM and is provided in Section I, tables 1 through 8, as follows:

a. DARCOM	Table 1
b. FORSCOM	Table 2
c. TRADOC	Table 3
d. USAREUR	Table 4
e. All other MACOM	Table 5
f. Recapitulation of tables 1-5 (officer, NCO, and consolidated club branches in each category)	Table 6
g. Recapitulation of tables 1-5 (command totals)	Table 7
h. Recapitulation of effect on categorization with and without APF support	Table 8

3. Individual Club Branches' Ability to Offset Cost Withdrawal of APF Support--Break-even Analysis. A separate ranking of clubs based on the criteria in paragraph 2e was made for Army club branches within each MACOM and is provided in Section II, tables 9 through 14, as follows:

a. DARCOM	Table 9
b. FORSCOM	Table 10
c. TRADOC	Table 11
d. USAREUR	Table 12
e. All other MACOM	Table 13
f. Recapitulation of tables 9-13 (mean percentage increase by MACOM)	Table 14

SECTION I - TABLE 1

Ranking as of 30 June 1977 and Categorization of Club Branches in DARCOM based on their ability to sustain withdrawal of appropriated fund support

25 June 1976 Compared to 30 June 1977															
Ranking '76	Ranking '77	Installation Club Branches	C A T E G O R I E S											Without *	
			I		II		III		IV		Loan Paymt				
			'76	'77	'76	'77	'76	'77	'76	'77	'76	'77	'76	'77	
3	1	New Cumberland Army Depot, NCO P	X	X											
7	2	TARCOM, NCO P		X	X										
4	3	Tobyhanna Army Depot, NCO P	X	X											
1	4	Dugway Proving Ground, NCO P	X			X									
13	5	New Cumberland Army Depot, OFF P				X		X							
2	6	Lexington-Blue Grass Army Depot, CONSOL P	X			X		X							
8	7	Seneca Army Depot, NCO P			X	X									
11	8	St Louis, OFF P				X		X							
18	9	White Sands Missile Range, NCO P				X		X							
10	10	Red River Army Depot, NCO P				X		X							
16	11	TARCOM, OFF P						X		X					
5	12	Natick Laboratories, NCO P			X			X		X					
6	13	Sierra Army Depot, NCO P			X					X					
14	14	Picatinny Arsenal, NCO								X		X			
12	15	Letterkenny Army Depot, OFF P								X		X			
9	16	Ft Monmouth, NCO								X		X			

SECTION I - TABLE 1 (Cont'd)

Ranking '76	Ranking '77	Installation Club Branches	C A T E G O R I E S							Without *		
			I '76	I '77	II '76	II '77	III '76	III '77	IV '76	IV '77	Loan Paymt '76	'77
23	17	Letterkenny Army Depot, NCO P							X			
20	18	Seneca Army Depot, OFF P						X	X			
21	19	White Sands Missile Range, OFF P						X	X			
15	20	Ft Monmouth, OFF						X	X			
29	21	Yuma Proving Ground, NCO P							X	X		
27	22	Aberdeen Proving Ground, NCO P							X	X		
22	23	Frankford Arsenal, OFF							X	X		
25	24	Picatinny Arsenal, OFF							X	X		
32	25	Sacramento Army Depot, NCO							X	X		
26	26	Watervliet Arsenal, OFF							X	X		
17	27	Natick Laboratories, OFF P						X				X
28	28	Rock Island Arsenal, NCO								X		X
19	29	Rocky Mountain Arsenal, OFF						X				X
31	30	Sacramento Army Depot, OFF								X		X
24	31	Annisston Army Depot, OFF P								X		X
30	32	Pine Bluff Arsenal, CONSOL P								(X)		X
41	33	Dugway Proving Ground, OFF P								X		X
33	34	Pueblo Army Depot, OFF								X		X

SECTION I - TABLE 1 (Cont'd)

		Installation Club Branches	C A T E G O R I E S								Without * Loan Paymat
			I	II	III	IV					
'76	'77		'76	'77	'76	'77	'76	'77	'76	'77	
34	35	Red River Army Depot, OFF ^P					X	X			
35	36	Redstone Arsenal, OFF ** ^P					X	X	NC	NC	
37	37	Rocky Mountain Arsenal, NCO					X	X			
39	38	Tooele Army Depot, CONSOL ^P					X	X			
38	39	Sharpe Army Depot, CONSOL ^P					(X)	X			
40	40	Yuma Proving Ground, OFF ^P					X	X			
44	41	Aberdeen Proving Ground, OFF ^P					X	X			
43	42	St. Louis Spt Center (AVSCOM), NCO ^P					X	X			
36	43	Redstone Arsenal, NCO ** ^P					X	X	II	II	
42	44	Sierra Army Depot, OFF ^P					X	X			
45	45	Rock Island Arsenal, OFF **					X	X	NC	NC	
46	46	Tobyhanna Army Depot, OFF ** ^P					X	X	III	NC	

* Change in category should loan payment be suspended or cancelled.

** Current loan from the Army Club Fund

○ System consisted of officers' and NCO branches during FY 76. Financial data was combined for that period for comparison.

^P Authorized package beverage branch.

SECTION I - TABLE 2

Ranking as of 30 June 1977 and Categorization of Club Branches in FORSCOM based on their ability to sustain withdrawal of appropriated fund support

25 June 1976 Compared to 30 June 1977														
Ranking		Installation Club Branches	C A T E G O R I E S											
'76	'77		I		II		III		IV		Without *			
			'76	'77	'76	'77	'76	'77	'76	'77	'76	'77	Loan Paymt	
1	1	Ft Bragg, NCO P	X	X										
2	2	Ft Buchanan, OFF P	X	X										
3	3	Ft Buchanan, NCO P	X	X										
4	4	Ft Carson, NCO P	X	X										
6	5	Ft Drum, NCO P	X	X										
42	6	Ft Sam Houston, NCO **		X										
8	7	Ft Stewart, NCO P	X	X										
7	8	Ft Indiantown Gap, NCO P	X											
9	9	Ft Campbell, NCO			X									
12	10	Ft Bragg, OFF P			X									
15	11	Ft McPherson, NCO P							X					
14	12	Ft Douglas, OFF			X									
23	13	Ft Wainwright, OFF P									X			
10	14	Ft Carson, OFF P			X									
13	15	Panama Canal Zone, OFF P			X									
33	16	Ft Stewart, OFF P												
19	17	Ft Richardson, NCO P												

NC NC

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

SECTION I - TABLE 2 (Cont'd)

Ranking '76	Ranking '77	Installation Club Branches	C A T E G O R I E S								Without *	
			I '76	I '77	II '76	II '77	III '76	III '77	IV '76	IV '77	Loan Paymt '76	Loan Paymt '77
44	36	Ft Lewis, NCO ** P							X	X	II	III
5	37	Ft Devens, NCO P	X							X		
35	38	Ft Douglas, NCO							X	X		
36	39	Ft Greely, OFF P							X	X		
37	40	Ft Sheridan, NCO							X	X		
38	41	Ft Sheridan, OFF							X	X		
40	42	Ft Campbell, OFF ** P							X	X	II	III
41	43	Ft Sam Houston, OFF **							X	X	NC	NC
43	44	Ft Lewis, OFF ** P							X	X	II	III
45	45	Ft Meade, NCO **							X	X	NC	NC
46	46	Ft Ord, OFF ** P							X	X	III	III
47	47	Ft Polk, NCO ** P							X	X	NC	III
48	48	Presidio of San Francisco, OFF ** P							X	X	NC	II
49	49	Presidio of San Francisco, NCO P							X	X		
50	50	Ft Richardson, OFF P							X	X		

* Change in category should loan payments be suspended or cancelled

** Current loan from the Army Club Fund

P Authorized package beverage branch

SECTION I - TABLE 3

Ranking as of 30 June 1977 and Categorization of Club Branches in TRADOC based on their ability to sustain withdrawal of appropriated fund support

25 June 1976 Compared to 30 June 1977												
C A T E G O R I E S												
		Installation Club Branches										
'76	'77											

SECTION I - TABLE 3 (Cont'd)

Ranking '76	'77	Installation Club Branches	C A T E G O R I E S								Without *		
			I	II	III	IV	Without Loan Paymt	'76	'77	'76	'77		
24	18	Ft Hamilton, OFF P		X	X								
8	19	Ft Monroe, OFF P		X									
15	20	Ft McClellan, OFF P		X									
26	21	Ft Benjamin Harrison, NCO P		X	X								
23	22	Ft Hamilton, NCO P		X	X								
27	23	Ft Story, NCO		X	X								
22	24	Ft Belvoir, NCO P		X									
25	25	Ft Monroe, NCO P		X	X								
30	26	Carlisle Barracks, OFF P			X								
28	27	Carlisle Barracks, NCO P											
20	28	Ft Benning, OFF P		X	X								
29	29	Ft Bliss, OFF			X								
34	30	Ft Bliss, NCO											
36	31	Ft Benjamin Harrison, OFF ** P											
33	32	Ft Gordon, OFF P											
31	33	Ft Benning, NCO P											
32	34	Ft Leavenworth, NCO P											
35	35	Ft Belvoir, OFF ** P											
37	36	Ft Dix, OFF **											

SECTION I - TABLE 3 (Cont'd)

Ranking '76	'77	Installation Club Branches	C A T E G O R I E S								Without * Loan Paymt '76
			I	II	III	IV	'76	'77	'76	'77	
6	37	Ft Jackson, NCO** P		X						X	NC
38	38	Ft Leonard Wood, OFF ** P					X			X	NC

* Change in category should loan payment be suspended or cancelled

** Current loan from the Army Club Fund

P Authorized package beverage branch

Ranking as of 30 June 1977 and Categorization of Club Branches in USAREUR based on their ability to sustain withdrawal of appropriated fund support

25 June 1976 Compared to 30 June 1977												
		C A T E G O R I E S										
		I			II		III		IV			
Ranking	'76	'77	Installation Club Branches	'76	'77	'76	'77	'76	'77	'76	'77	
1	1		Tehran, OFF	X	X							
11	2		Tehran, NCO		X							
4	3		Frankfurt, NCO		X							
23	4		Oberamergau, CONSOL		X			X				
3	5		Berlin, NCO		X		X					
36	6		Bremerhaven, OFF		X					X		
12	7		Schweinfurt, NCO		X			X				
9	8		Goeppingen, NCO		X		X					
13	9		Hanau, NCO		X		X	X				
22	10		Stuttgart, NCO		X			X				
15	11		Wurzburg, NCO					X			X	
6	12		Mannheim, NCO						X		X	
10	13		Kaiserslautern, NCO		X				X		X	
7	14		Karlsruhe, NCO		X				X		X	
2	15		Wiesbaden, NCO		X				X		X	
17	16		Fulda, NCO					X			X	
38	17		Aschaffenburg, NCO						X		X	
18	18		Nuernburg, NCO					X			X	
33	19		Vicenza, NCO						X		X	

SECTION I - TABLE 4 (Cont'd)

Ranking '76	Ranking '77	Installation Club Branches	CATEGORIES							
			I '76	I '77	II '76	II '77	III '76	III '77	IV '76	IV '77
28	20	Neu Ulm, NCO							X	
16	21	Heilbronn, NCO						X	X	
19	22	Berlin, OFF						X	X	
25	23	Bremerhaven, NCO						X	X	
5	24	Baumholder, NCO						X	X	
58	25	Frankfurt, OFF						X	X	
53	26	Aschaffenburg, OFF						X	X	
29	27	Ansbach, NCO						X	X	
30	28	Darmstadt, NCO						X	X	
8	29	Bad Toelz, NCO						X	X	
63	30	Mainz, NCO						X	X	
21	31	Giessen, NCO						X	X	
26	32	Schwaebisch Hall, NCO						X	X	
20	33	Fulda, OFF						X	X	
34	34	Worms, NCO						X	X	
35	35	Schweinfurt, OFF						X	X	
39	36	Vicenza, OFF						X	X	
40	37	Zweibrucken, OFF						X	X	
45	38	Augsburg, OFF						X	X	
24	39	Pirmasens, NCO						X	X	

SECTION I - TABLE 4 (Cont'd)

Ranking '76		CATEGORIES							
		I		II		III		IV	
		'76	'77	'76	'77	'76	'77	'76	'77
43	40	Worms, OFF						X	X
31	41	Bad Kreuznach, NCO						X	X
32	42	Bamberg, NCO						X	X
37	43	Hanau, OFF						X	X
27	44	Heilbronn, OFF						X	X
48	45	Neu Ulm, CONSOL						X	X
49	46	Nuernberg, OFF						X	X
41	47	Anebach, OFF						X	X
42	48	Augzburg, NCO						X	X
47	49	Goeppingen, OFF						X	X
59	50	Heidelberg, OFF						X	X
14	51	Weinbaden, OFF				X			X
67	52	Zweibrucken, NCO						X	X
56	53	Baumholder, OFF						X	X
50	54	Giessen, OFF						X	X
54	55	Bad Kreuznach, OFF						X	X
55	56	Bad Toelz, OFF						X	X
46	57	Bamberg, OFF						X	X
57	58	Darmstadt, OFF						X	X
51	59	Heidelberg, NCO						X	X

SECTION I - TABLE 4 (Cont'd)

Ranking '76		C A T E G O R I E S							
		I		II		III		IV	
		'76	'77	'76	'77	'76	'77	'76	'77
60	Kaiserslautern, OFF							X	X
61	Karlsruhe, OFF							X	X
62	Leghorn, CONSOL							X	X
64	Mannheim, OFF							X	X
65	Pirmasens, OFF							X	X
44	Schwaebisch Hall, OFF							X	X
66	Stuttgart, OFF							X	X
52	Wurzburg, OFF							X	X

Ranking as of 30 June 1977 and Categorization of Club Branches in Other Major Commands based on their ability to sustain withdrawal of appropriated funds

25 June 1976 Compared to 30 June 1977

Banking		Installation Club Branches	C A T E G O R I E S												Without *			
'76	'77		MACOM	'76	'77	I	'76	'77	II	'76	'77	III	'76	'77	IV	'76	'77	Loan Paymt
2	1	Military District of Washington, OFF	MDW		X													
3	2	Pentagon Athletic Center, CONSOL	MDW					X										
1	3	Vint Hill Farm, NCO P	INSCOM					X										
5	4	Ft Huachuca, NCO P	USACC					X										
4	5	Vint Hill Farm, OFF P	INSCOM					X										
10	6	Oakland Army Base, OFF P	MTMC								X							
6	7	West Point, OFF P	USMC								X							
14	8	Military District of Washington, NCO	MDW								X							
7	9	Oakland Army Base, NCO P	MTMC								X							
18	10	West Point, NCO P	USMC								X							
9	11	Walter Reed, OFF	HSC								X							
13	12	Arlington Hall, OFF	INSCOM								X							
17	13	Ft Ritchie, OFF P	USACC								X							
12	14	Arlington Hall, NCO	INSCOM											X				
11	15	Fitzsimmons Army Hospital, NCO	HSC								X							
15	16	Ft Huachuca, OFF P	USACC															
21	17	Ft Detrick, CONSOL	HSC											X				
16	18	Old Guard, NCO	MDW											(X)				

SECTION I - TABLE 5 (Cont'd)

Ranking '76	'77	Installation Club Branches	MACOM	C A T E G O R I E S								Without *			
				I '76	'77	'76	II '76	'77	III '76	'77	IV '76	'77	Loan Paymt '76	'77	
19	19	Ft Ritchie, NCO P	USACC									X	X		
8	20	Bayonne, NCO	MTMC					X					X		
20	21	Fitzsimons Army Hospital, OFF	HSC								X	X	X		
22	22	Bayonne, OFF	MTMC								X	X	X		
23	23	Walter Reed Army Hospital, NCO **	HSC								X	X	X	NC	NC

* Change in category should loan payment be suspended or cancelled

** Current loan from the Army Club Fund

○ System consisted of Officers' and NCO Branches during FY 76. Financial data was combined for that period for comparison.

P Authorized package beverage branch

SECTION I - TABLE 6

CATEGORIZATION OF 224 CLUB BRANCHES IN CONUS AND USAREUR BASED ON THEIR ABILITY TO SUSTAIN LOSS OF APF SUPPORT

RECAPITULATION *

Category	Number of OFF Brs. '76 '77	% of OFF Brs. to Total Brs. '76 '77	Number of NCO Brs. '76 '77	% of NCO Brs. to Total Brs. '76 '77	Number of CONSOL Brs. '76 '77	% of CONSOL Brs. to all Brs. '76 '77	Total All Brs. '76 '77	% of All Brs. '76 '77
I	2 4	.8	15	6.7	1	.4	18	8.1 10.3
II	17 21	7.6	23	10.3	1 2	.4 .8	41 45	18.3 20.1
III	23 25	10.3	33	14.7	1	.4	57	25.4 25.4
IV	66 58	29.5	36	16.1	6 6	2.8 2.8	108 99	48.2 44.2
TOTAL	108 108	48.2	107 107	47.8 47.8	9 9	4.0 4.0	224 224	100 100

SECTION I - TABLE 7

CATEGORIZATION OF 224 CLUB BRANCHES BY MACOM BASED ON THE LENGTH OF TIME (YEARS) THEY COULD SUSTAIN CURRENT OPERATIONS AFTER THE WITHDRAWAL OF APF SUPPORT

Major Commands	C A T E G O R I E S									
	I		II		III		IV			
	Self-Sustaining		3 Years or More		1.0 to 2.9 Years		0.9 Years or Less			
	FY '76	FY '77 Plus 1st 3 Qtrs FY '77	FY '76	FY '77 Plus 1st 3 Qtrs FY '77	FY '76	FY '77 Plus 1st 3 Qtrs FY '77	FY '76	FY '77 Plus 1st 3 Qtrs FY '77	FY '76	FY '77 Plus 1st 3 Qtrs FY '77
<u>DARCOM</u>										
Number of Club Branches	4	3	4	7	13	16	25	20		
Percent to Total	1.8	1.3	1.8	3.1	5.8	7.1	11.2	8.9		
<u>FORSOM</u>										
Number of Club Branches	8	7	6	11	12	13	24	19		
Percent to Total	3.6	3.1	2.7	5.0	5.4	5.8	10.7	8.5		
<u>TRADOC</u>										
Number of Club Branches	5	8	16	16	8	5	9	9		
Percent to Total	2.2	3.6	7.1	7.1	3.6	2.2	4.0	4.0		
<u>USAREUR</u>										
Number of Club Branches	1	4	10	6	15	16	41	41		
Percent to Total	0.5	1.8	4.5	2.7	6.6	7.1	18.3	18.3		
<u>OTHER MAJOR COMMANDS</u>										
Number of Club Branches	--	1	5	5	9	7	9	10		
Percent to Total	--	0.5	2.2	2.2	4.0	3.1	4.0	4.5		
TOTAL	224	23	41	45	57	57	108	99		
PERCENT	100%	10.3	18.3	20.1	25.4	25.4	48.2	44.2		

SECTION I - TABLE 8

CATEGORIZATION OF 224 CLUB BRANCHES IN CONUS AND USAREUR BASED ON THEIR ABILITY TO SUSTAIN CLUB OPERATIONS

Comparison With and Without Appropriated Funds (APF) as of 25 June 1976 and 30 June 1977

RECAPITULATION *

	I		II		III		IV	
	Self-Sustaining '76	'77	3.0 + Yrs. '76	'77	1.0 - 0.9 Yrs. '76	'77	(-0) - .9 Yrs. '76	'77
CONUS								
Without APF	17	19	31	39	42	41	67	58
Percent	11	12	19	25	27	26	43	37
With APF	104	122	38	23	10	2	5	10
Percent	67	78	24	15	6	1	3	6
Total							157	157
USAREUR								
Without APF	1	4	10	6	15	16	41	41
Percent	2	6	15	9	22	24	61	61
With APF	52	46	5	6	3	4	7	11
Percent	78	69	7	9	5	6	10	16
Total							100	100
TOTALS								
Without APF	18	23	41	45	57	57	108	99
Percent	8	10	18	20	26	26	48	44
With APF	156	168	43	29	13	6	12	21
Percent	70	75	19	13	6	3	5	9
Total							224	224

*Recapitulation of changes is based on actual change in category of individual clubs.

**INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)**

DARCOM	INSTALLATION	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT		LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN			
						% INCREASE TO NET INCOME	REQUIRED TO BREAK-EVEN	I SELF SUSTAINING	CURRENT OPERATIONS		
									II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
	New Cumberland, NCO	\$ 62	\$ 1,257	\$ 944	5 %	None					
	Tobyhanna, NCO	443	1,625	851	52	None					
	TARCOM, NCO	507	2,704	575	21	None					
	New Cumberland, OFF	250	2,045	214	10	+ 2	26.0				
	St. Louis, OFF	-0-	1,537	(52)	(3)	+ 3	4.7				
	Dugway, NCO	56	422	43	10	+ 3	26.5				
	Lexington, CONSOL	170	781	122	16	+ 6	18.0				
	Seneca, NCO	186	1,432	97	7	+ 6	4.7				
	White Sands, NCO	399	2,249	240	11	+ 7	4.1				
	Redstone, NCO	1,535	5,951	895	15	+11					
	TARCOM, OFF	507	3,048	150	5	+12			2.9		0.1
	Sierra, NCO	110	683	6	1	+15			2.3		
	Red River, NCO	363	1,106	201	18	+15	3.8				
	White Sands, OFF	407	1,940	72	4	+17			1.5		
	Picatinny, NCO	460	1,294	173	13	+23			2.2		
	Aberdeen, NCO	2,210	6,323	511	8	+27			1.1		
	Monmouth, OFF	1,963	6,887	.3	-0-	+28			1.3		
	Picatinny, OFF	956	3,252	(4)	(1)	+30			1.1		
	Rocky Mtn, OFF	181	555	2	.4	+32					0.8
	Sacramento, NCO	408	837	135	16	+33			1.1		
	Natick, OFF	510	1,492	7	.5	+34					0.9
	Rock Island, OFF	923	1,945	207	11	+36					(-0)
	Frankford, OFF	196	505	(6)	(1)	+40			1.1		
	Yuma, NCO	439	784	122	16	+40			1.3		
	Watervliet, OFF	563	1,210	71	6	+41			1.0		
	Letterkenny, NCO	288	455	95	21	+42			1.6		
	Sacramento, OFF	650	1,211	61	5	+49					0.7
	Rock Island, NCO	877	1,467	147	10	+50					0.9
	Monmouth, NCO	817	1,944	(172)	(9)	+51			1.7		
	Redstone, OFF	3,522	5,448	618	11	+54					0.4
	Tobyhanna, OFF	700	852	202	24	+58					(-0)
	Rocky Mtn, NCO	182	267	6	2	+66					0.4
	Seneca, OFF	382	431	91	21	+68					1.5
	Natick, NCO	261	261	13	5	+73			1.5		
	Tooele, CONSOL	1,316	1,504	145	10	+77			2.4		
	Dugway, OFF	381	430	37	9	+80					0.4

SECTION II - TABLE 9
INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

DARCOM (Cont)	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT % INCREASE TO NET INCOME REQUIRED TO BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
						I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
Anniston, OFF	\$ 427	\$ 597	\$ (45) (8) \$	72 \$	+80				0.6
Sharpe, CONSOL	716	913	(38) (4)	78	+82				0.3
Pueblo, OFF	477	523	7 1	91	+90				0.4
Latterkenny, OFF	231	224	17 8	103	+95			1.7	
Red River, OFF	975	910	44 5	107	+102				0.4
Aberdeen, OFF	4,069	3,936	34 1	103	+102				0.2
Pine Bluff, CONSOL	1,047	750	(19) (3)	140	+143				0.5
St. Louis, NCO	1,056	636	31 5	166	+161				0.2
Yuma, OFF	625	269	(10) (4)	232	+236				0.3
Sierra, OFF	1,297	338	43 13	384	+371				0.08
TOTALS					46	3	7	16	20
PERCENT					100%	7%	15%	35%	43%

*1976 DOD Demographic Survey including \$9.9M in increased personnel costs to convert all positions to NAF civilian.
**Includes PBB Distribution.

SECTION II - TABLE 10

INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

FORSCOM	INSTALLATION	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT % INCREASE TO NET INCOME REQUIRED TO BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
							I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
	Buchanan, OFF	\$ 57	\$ 710	\$ 892 126 \$	8	None	+			
	Buchanan, NCO	211	4,485	13,578 303	5	None	+			
	Drum, NCO	414	2,209	634 29	19	None	+			
	Stewart, NCO	422	6,066	1,535 25	7	None	+			
	Bragg, NCO	896	24,374	2,766 11	4	None	+			
	Sam Houston, NCO	949	7,448	1,162 16	13	None	+			
	Carson, NCO	1,220	14,901	1,620 11	8	None	+			
	Presidio, OFF	966	14,075	708 5	7	None	+			
	Campbell, NCO	1,550	14,247	1,023 7	11	+2				(-0)
	Stewart, OFF	569	4,143	343 8	14	+4		17.5		
	IGMR, NCO	584	1,499	495 33	39	+6				
	Bragg, OFF	1,815	13,714	935 7	13	+6		46.7		
	McPherson, NCO	736	3,967	484 12	19	+7		7.7		
	Lewis, NCO	1,633	16,822	538 3	10	+7				0.5
	Devens, NCO	65	2,390	(144) (6)	3	+9				0.4
	Devens, OFF	141	1,711	(27) (2)	8	+10			1.0	
	Mainwright, OFF	275	1,796	83 5	15	+10				
	Douglas, OFF	585	2,622	300 11	22	+11				
	Hood, NCO	4,484	21,086	1,920 9	21	+12			2.4	
	Mainwright, NCO	320	3,607	(161) (4)	9	+13			2.7	
	Lewis, OFF	1,383	7,177	396 6	19	+13				(-0)
	Richardson, NCO	1,620	5,726	725 13	28	+15		3.4		
	Riley, NCO	1,957	7,808	804 10	25	+15		3.1		
	Panama, OFF	1,105	5,254	253 5	21	+16		4.0		
	Ord, NCO	2,915	12,482	707 6	23	+17			2.8	
	Hawaii, NCO	6,515	22,145	2,405 11	29	+18				0.7
	Carson, OFF	1,047	3,446	385 11	30	+19		4.4		
	Campbell, OFF	737	4,303	(118) (3)	17	+20				(-0)
	Sam Houston, OFF	1,680	9,027	(95) (1)	19	+20				(-0)
	Ord, OFF	1,412	6,405	71 1	22	+21				(-0)
	McCoy, OFF	64	599	(64) (11)	11	+22				0.8
	McCoy, NCO	428	1,472	98 7	29	+22			1.9	
	Drum, OFF	543	1,768	159 9	31	+22			2.3	
	Meade, NCO	737	3,332	(62) (2)	22	+24				(-0)
	Polk, NCO	1,023	4,490	(58) (1)	23	+24				(-0)

SECTION II - TABLE 10

INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

FO... (Cont)	APF SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT % INCREASE TO NET INCOME REQUIRED TO BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
						I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
Polk, OFF	\$1,061	\$ 3,826	\$ 173	28 %	+24				
Panama, NCO	2,232	8,210	176	27	+25			1.4	0.6
Meade, OFF	1,797	5,465	366	33	+26			1.7	
Greely, NCO	798	2,117	224	38	+27			2.3	
Hood, OFF	3,814	12,395	475	31	+27			1.1	
Hawaii, OFF	3,689	13,423	(225)	27	+29			1.4	
IGMR, OFF	598	1,435	75	42	+37			1.6	
Riley, OFF	2,519	4,463	663	56	+41				0.7
McPherson, OFF	1,518	5,480	215	28	+24			1.7	
Greely, OFF	788	1,242	63	63	+58				0.4
Sheridan, NCO	739	1,217	.3	61	+61				0.4
Sheridan, OFF	1,123	1,428	(.5)	79	+78				0.3
Richardson, OFF	1,585	2,148	(251)	74	+86				(-0)
Presidio, NCO	1,127	965	228	117	+93				(-0)
Douglas, NCO	2,587	1,928	157	134	+126				0.4
TOTALS						50	11	13	19
PERCENT						100%	22%	26%	38%

*1976 DOD Demographic Survey including \$9.9M in increased personnel costs to convert all positions to NAF civilian.
 **Includes PBB Distribution.

SECTION II - TABLE 11

INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET
BREAK-EVEN ANALYSIS
(\$ IN 100's)

TRADOC INSTALLATION	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$	APF SUPPORT (\$ SALES)	W/O APF SUPPORT % INCREASE TO NET INCOME REQUIRED TO BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
						I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
Gordon, NCO	\$ 363	\$ 7,278	\$1,791	5	None	+			
Leonard Wood, NCO	432	9,004	1,081	5	None	+			
McClellan, NCO	781	8,186	1,859	10	None	+			
Knox, NCO	1,085	10,929	1,878	10	None	+			
Rucker, NCO	384	5,746	586	7	None	+			
Knox, OFF	1,131	9,419	1,291	14	None	+			
Sill, NCO	1,386	12,552	1,591	13	None	+			
Lee, NCO	1,033	7,338	1,082	15	None	+			
Dix, NCO	727	8,721	645	8	+1		39.2		
Lee, OFF	1,018	5,930	942	16	+1		55.5		
Jackson, OFF	485	4,260	337	8	+3		29.4		
Belvoir, OFF	1,610	8,206	1,385	17	+3				(-0)
Jackson, NCO	1,102	10,009	698	7	+4				(-0)
Rucker, OFF	1,045	9,059	626	7	+5		17.1		
Eustis, NCO	332	7,537	(60)	(8)	+6		8.5		0.9
Bliss, NCO	1,049	7,563	431	6	+8		5.8		
Sill, OFF	1,268	7,997	653	8	+8		4.6		
Monroe, OFF	567	7,220	(49)	(7)	+9		7.3		
Eustis, OFF	612	4,164	270	6	+9		4.6		
Hamilton, OFF	1,575	7,555	748	10	+11		4.7		
Story, OFF	484	3,141	99	3	+12		3.7		
Ben Harrison, NCO	690	3,422	276	8	+13		4.1		0.4
McClellan, OFF	625	3,143	222	7	+14		5.6	2.6	
Ben Harrison, OFF	892	3,256	416	13	+15		3.1	1.2	
Leavenworth, OFF	423	6,419	(502)	(8)	+17				
Carlisle, OFF	652	2,794	159	6	+18				
Belvoir, NCO	803	4,455	33	7	+18				
Bliss, OFF	1,119	6,791	(150)	(2)	+22				
Hamilton, NCO	797	2,990	147	5	+22		3.4		
Benning, NCO	2,884	10,198	206	2	+26				0.6
Leonard Wood, OFF	1,062	2,800	271	10	+28				(-0)
Dix, OFF	910	3,577	(131)	(4)	+29		3.3		(-0)
Story, NCO	586	1,218	210	17	+31			2.2	
Benning, OFF	1,389	9,101	(1,482)	(16)	+31			2.5	
Carlisle, NCO	305	601	83	14	+37			2.7	
Monroe, NCO	647	1,183	170	14	+41				0.4
Gordon, OFF	3,251	3,515	336	10	+82				0.04
Leavenworth, NCO	448	942	(326)	(35)	+83				
TOTALS						8	16	5	9
PERCENT						21%	42%	13%	24%

*1976 DOD Demographic Survey including \$9.9M in increased personnel costs to convert all positions to NAF civilian.
**Includes PBB Distribution.

SECTION II - TABLE 12

INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

USAREUR	INSTALLATION	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS) \$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT % INCREASE TO NET INCOME BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
							I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
	Oberammergau, CONSOL	\$ 458	\$ 1,735	\$ 582 34 %	26 %	None	+			
	Frankfurt, NCO	1,562	11,629	2,175 19	13	None	+			
	Tehran, NCO	94	6,346	310 5	1	None	+			
	Tehran, OFF	131	9,422	189 2	1	None	+			
	Berlin, NCO	997	9,289	943 10	11	+ 1		58.7		
	Wiesbaden, NCO	104	13,776	(371) (3)	1	+ 4			2.6	
	Bremerhaven, OFF	709	1,620	638 39	44	+ 5		6.0		
	Mainz, NCO	1,611	12,213	987 8	13	+ 5				0.8
	Stuttgart, NCO	2,588	20,766	1,437 7	12	+ 5		3.3		
	Baumholder, NCO	1,036	12,493	213 2	8	+ 6			1.1	
	Schweinfurt, NCO	1,679	10,548	999 9	16	+ 7		5.8		
	Hanau, NCO	4,008	25,032	2,255 9	16	+ 7		4.5		
	Weisbaden, OFF	65	6,028	(414) (7)	1	+ 8				0.1
	Aschaffenburg, OFF	392	1,836	231 13	21	+ 8			1.0	
	Fulda, NCO	1,006	6,648	386 6	15	+ 9			2.5	
	Frankfurt, OFF	2,628	10,284	1,753 17	26	+ 9			1.1	
	Goppingen, NCO	1,148	6,387	541 8	18	+ 10		4.9		
	Wurzberg, NCO	3,066	16,937	1,366 8	18	+ 10			2.8	
	Bad Toelz, NCO	349	3,550	(24) (7)	10	+ 11				0.8
	Morras, NCO	459	3,080	118 4	15	+ 11			0.6	
	Vicenza, NCO	900	4,076	435 11	22	+ 11			2.2	
	Aschaffenburg, NCO	1,053	3,931	612 16	27	+ 11			2.3	
	Darmstadt, NCO	1,954	9,047	800 9	22	+ 13				0.9
	Berlin, OFF	745	3,111	303 10	24	+ 14			1.5	
	Mannheim, NCO	2,136	15,264	(28) (2)	14	+ 14			2.7	
	Kaiserslautern, NCO	1,182	8,409	(69) (1)	14	+ 15			2.6	
	Giessen, NCO	3,695	21,166	384 2	17	+ 15				0.7
	Leghorn, CONSOL	1,267	4,751	508 11	27	+ 16			(-0)	
	Nuernberg, NCO	3,838	17,252	1,031 6	22	+ 16			2.2	
	Karlsruhe, NCO	2,237	11,021	397 4	21	+ 17			2.6	
	Stuttgart, OFF	1,286	5,901	259 4	22	+ 18				(-0)
	Heilbronn, NCO	1,368	6,622	203 3	21	+ 18			1.8	
	Heidelberg, NCO	1,657	9,916	(97) (1)	17	+ 18			1.9	
	Neu Ulm, NCO	858	3,177	224 7	27	+ 20				(-0)
	Pirmasens, NCO	891	6,063	(351) (6)	15	+ 21				0.4
	Bamberg, NCO	1,145	5,050	(62) (1)	23	+ 24				0.3
	Wuerzburg, OFF	2,058	6,490	478 7	32	+ 25			(-0)	
	Heidelberg, OFF	3,330	12,539	249 2	27	+ 25				0.1
	Fulda, OFF	590	2,003	52 3	29	+ 26				0.6
	Bremerhaven, NCO	817	2,523	155 6	32	+ 26		1.3		

SECTION I' TABLE 12
INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSET COST OF WITHDRAWAL OF APF SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

USAREUR (Cont)	INSTALLATION	APF* SUPPORT	SALES** JUL 76-JUN 77	NET INCOME (LOSS)\$ SALES	APF SUPPORT (\$ SALES)	W/O APF SUPPORT TO INCREASE REQUIRED TO BREAK-EVEN	LENGTH OF TIME (YRS) AFTER APF SUPPORT WITHDRAWAL CLUB BRANCHES COULD SUSTAIN CURRENT OPERATIONS			
							I SELF SUSTAINING	II 3 YRS PLUS	III 1.0-2.9 YRS	IV .9 YRS OR LESS
	Bad Kreuznach, OFF	\$ 929	\$ 3,299	\$ 82 2 \$	28 \$	+26				(-0)
	Vicenza, OFF	875	2,551	148 6	34	+28				0.5
	Baumholder, OFF	1,520	4,045	423 10	38	+28				0.04
	Augsburg, NCO	1,969	7,835	(204) (3)	25	+28				0.1
	Schwaebisch Hall, NCO	630	2,057	39 2	31	+29				0.7
	Zweibruecken, OFF	551	1,435	112 8	38	+30				0.5
	Ansbach, NCO	3,328	8,586	769 9	39	+30				0.9
	Kaiserslautern, OFF	1,059	3,656	(158) (4)	29	+33				(-0)
	Mannheim, OFF	671	2,356	(159) (7)	29	+36				(-0)
	Schwaebisch Hall, OFF	485	841	172 20	58	+38				(-0)
	Zweibruecken, NCO	651	1,478	83 6	44	+38				0.1
	Worms, OFF	606	1,272	83 7	48	+41				0.4
	Augsburg, OFF	1,037	1,904	244 13	54	+41				0.4
	Nuernberg, OFF	2,748	5,126	624 12	54	+42				0.2
	Darmstadt, OFF	1,472	3,781	(184) (5)	39	+44				(-0)
	Bad Toelz, OFF	396	809	34 4	49	+45				(-0)
	Hanau, OFF	2,699	6,216	(118) (2)	43	+45				0.3
	Bad Kreuznach, NCO	1,913	5,415	(558) (10)	35	+45				0.3
	Ansbach, OFF	1,766	3,831	(71) (2)	46	+48				0.1
	Schweinfurt, OFF	1,342	2,396	33 1	56	+55				0.5
	Heilbronn, OFF	434	940	(109) (12)	46	+58				0.2
	Pirmasens, OFF	950	1,627	(5) (3)	58	+58				(-0)
	Bamberg, OFF	960	1,670	(74) (4)	57	+61				(-0)
	Karlsruhe, OFF	781	1,574	(215) (14)	50	+64				(-0)
	Neu Ulm, CONSOL	618	931	7 .8	66	+65				0.2
	Goepfingen, OFF	1,028	1,337	8 .6	77	+76				0.1
	Giessen, OFF	2,812	3,316	(121) (4)	85	+89				0.01
	TOTALS						4	6	16	41
	PERCENT						6%	9%	24%	61%

*1976 DOD Demographic Survey including \$9.9M in increased personnel costs to convert all positions to NAP civilian.
**Includes PBB Distribution.

INDIVIDUAL CLUB BRANCHES ABILITY TO OFFSE. -JUST OF WITHDRAWAL OF APP SUPPORT
BREAK-EVEN ANALYSIS
(\$ IN 100's)

*1976 DOD Demographic Survey including \$9.9M in increased personnel costs to convert all positions to NAF civilian.
**Includes P88 Distribution.

SECTION II, TABLE 14

MEAN PERCENTAGE INCREASE TO NET INCOME NECESSARY TO BREAK-EVEN
AFTER WITHDRAWAL OF APF SUPPORT

(Includes Civilianization Offset Costs)

RECAPITULATION BY MACOM

Categories Based On Ability to Sustain Operations W/O APF Support	<u>RECAPITULATION BY MACOM</u>				Other Major Commands	Total Commands Average Mean Percent
	<u>DARCOM</u>	<u>FORSCOM</u>	<u>TRADOC</u>	<u>USAREUR</u>		
I	None	None	None	None	None	None
II	6%	9%	10%	6%	9%	7%
III	35%	24%	31%	13%	28%	22%
IV	79%	24%	26%	30%	38%	36%
Overall MACOM Mean % Increase	40%	18%	10%	20%	29%	20%

6-A

APPENDIX 6-A

RECOMMENDED CLUB STAFFING ADJUSTMENT BY MACOM
(As of Dec 76)

1. Sub-study of Minimum Essential Club Supervisory Staffing for FORSCOM:

<u>Installation</u>	<u>Authorized</u>	<u>Recommended by Study Group</u>	<u>Difference</u>
Ft Ord	13	11	-2
Ft Riley	7	8	+1
Presidio, San Francisco	8	4	-4
Hawaii	20	14	-6
Ft Lewis	11	11	0
Ft Carson	10	8	-2
Ft Douglas	2	1	-1
Alaska	16	14	-2
Ft Buchanan	4	2	-2
Ft Hood	23	19	-4
Canal Zone	14	11	-3
Ft Sam Houston	6	8	+2
Ft Bragg	14	14	0
Ft Campbell	12	12	0
Ft McPherson	8	7	-1
Ft Polk	10	7	-3
Ft Stewart/Hunter	13	9	-4
IGMR	5	3	-2
Ft Sheridan	3	3	0
Ft McCoy	2	2	0
Ft Drum	3	4	+1
Ft Devens	2	5	+3
Ft Meade	5	5	0
TOTALS	217	181	-36

2. Sub-study of Minimum Essential Club Supervisory Staffing for TRADOC:

Ft Belvoir	5	5	0
Ft Benning	8	10	+2
Carlisle Barracks	4	4	0
Ft Dix	6	4	-2
Ft Eustis	5	8	+3
Ft Gordon	7	6	-1
Ft Hamilton	7	6	-1
Ft Benjamin Harrison	6	6	0
Ft Jackson	8	6	-2
Ft Knox	6	6	0
Ft Lee	7	10	+3
Ft McClellan	6	6	0

<u>Installation</u>	<u>Authorized</u>	<u>Recommended by Study Group</u>	<u>Difference</u>
Ft Monroe	5	4	-1
Ft Rucker	7	6	-1
Ft Sill	8	9	+1
Ft Leonard Wood	11	8	-3
Ft Bliss	11	8	-3
Ft Leavenworth	<u>5</u>	<u>5</u>	<u>0</u>
TOTALS	124	117	-7

3. Sub-study of Minimum Essential Club Supervisory Staffing for DARCOM:

Sierra Army Depot	2	2	0
Dugway Proving Ground	3	2	-1
Sacramento Army Depot	2	2	0
Rocky Mountain Arsenal	3	1	-2
Sharpe Army Depot	2	1	-1
Yuma Proving Ground	5	3	-2
White Sands Missile Range	10	5	-5
Pueblo Army Depot	0	1	+1
Tooele Army Depot	3	3	0
Frankford Arsenal	2	1	-1
TACOM/Selfridge	9	8	-1
Redstone Arsenal	7	7	0
Anniston Army Depot	5	5	0
Letterkenry Army Depot	2	1	-1
Natick Laboratories	4	3	-1
New Cumberland Army Depot	3	4	+1
Red River Army Depot	4	3	-1
Rock Island Arsenal	4	3	-1
Tobyhanna Army Depot	3	3	0
Ft Monmouth	6	6	0
Watervliet Arsenal	2	1	-1
Pine Bluff Army Depot	6	2	-4
Seneca Army Depot	5	4	-1
Aberdeen Proving Ground	13	9	-4
Lexington-Blue Grass	1	2	+1
AVSCOM	<u>4</u>	<u>4</u>	<u>0</u>
TOTALS	115	87	-28

4. Sub-study of Minimum Essential Club Supervisory Staffing for INSCOM:

Vint Hill Farms	4	3	-1
Arlington Hall Station	<u>5</u>	<u>3</u>	<u>-2</u>
TOTALS	9	6	-3

5. Sub-study of Minimum Essential Club Supervisory Staffing for USACC:

<u>Installation</u>	<u>Authorized</u>	<u>Recommended by Study Group</u>	<u>Difference</u>
Ft Huachuca	10	7	-3
Ft Ritchie	<u>4</u>	<u>4</u>	<u>0</u>
TOTALS	14	11	-3

6. Sub-study of Minimum Essential Club Supervisory Staffing for DLA:

DCSC, Columbus	2	1	-1
DD, Ogden	1	1	0
DD, Tracy	0	1	+1
DD, Memphis	1	1	0
DESC, Dayton	1	1	0
DGSC, Richmond	2	1	-1
DPSC, Philadelphia	<u>1</u>	<u>1</u>	<u>0</u>
TOTALS	8	7	-1

7. Sub-study of Minimum Essential Club Supervisory Staffing for HSC:

Fitzsimmons	5	5	0
Walter Reed	7	5	-2
Ft Detrick	<u>2</u>	<u>1</u>	<u>-1</u>
TOTALS	14	11	-3

8. Sub-study of Minimum Essential Club Supervisory Staffing for USMCA:

West Point	7	6	-1
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9. Sub-study of Minimum Essential Club Supervisory Staffing for MTMC:

Oakland	8	3	-5
Bayonne	<u>3</u>	<u>2</u>	<u>-1</u>
TOTALS	11	5	-6

10. Sub-study of Minimum Essential Club Supervisory Staffing for TJAG:

<u>Installation</u>	<u>Authorized</u>	<u>Recommended by Study Group</u>	<u>Difference</u>
TJAG School	2	1	-1

11. Sub-study of Minimum Essential Club Supervisory Staffing for MDW:

MDW	18	9	-9
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12. Sub-study of Minimum Essential Club Supervisory Staffing for USAREUR:

Bad Kreuznach	7	6	-1
Baumholder	11	9	-2
Darmstadt	11	11	0
Frankfurt	22	14	-8
Fulda	9	7	-2
Giessen	16	16	0
Hanau	18	20	+2
Mainz	7	5	-2
Wiesbaden	12	10	-2
Ansbach	10	13	+3
Aschaffenburg	6	5	-1
Augsburg	8	6	-2
Bad Toelz	4	3	-1
Bamberg	6	5	-1
Goeppingen	8	10	+2
Heilbronn	8	8	0
Munich	3	2	-1
Neu Ulm	6	5	-1
Nuernberg	18	13	-5
Oberammergau	0	2	+2
Schwaebisch Hall	4	3	-1
Schweinfurt	10	9	-1
Stuttgart	21	16	-5
Wuerzburg	14	18	+4
Bremerhaven	5	5	0
Kaiserslautern	12	7	-5
Heidelberg	12	10	-2
Karlsruhe	10	9	-1
Mannheim	13	8	-5
Pirmasens	7	5	-2
Worms	5	5	0
Zweibrucken	4	3	-1
7th ATC	17	17	0
TOTALS	324	285	-39

13. Sub-study of Minimum Essential Club Supervisory Staffing for EUCOM:

<u>Installation</u>	<u>Authorized</u>	<u>Recommended by Study Group</u>	<u>Difference</u>
Patch Barracks	6	4	-2

14. Sub-study of Minimum Essential Club Supervisory Staffing for BERLIN:

Berlin	16	10	-6
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15. Sub-study of Minimum Essential Club Supervisory Staffing for SETAF:

Vicenza	7	7	0
Leghorn	3	3	0
Tehran	7	6	-1
Dhahran	1	5	+4
Cakmakli	<u>1</u>	<u>1</u>	<u>0</u>
TOTALS	19	22	+3

16. Sub-study of Minimum Essential Club Supervisory Staffing for EIGHTH ARMY:

Camp Humphreys	8	7	-1
Taegu	12	7	-5
4th Missile Command	4	3	-1
I Corps	4	5	+1
Yongsan	20	12	-8
Pusan	5	3	-2
2d Infantry Division	30	19	-11
Camp Zama	5	3	-2
Okinawa	<u>6</u>	<u>3</u>	<u>-3</u>
TOTALS	94	62	-32

17. Sub-study of Minimum Essential Club Supervisory Staffing for MAAG-CHINA:

Taipei	0	1	+1
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7-A

APPENDIX 7-A

REQUEST FOR NAF CAREER PROGRAM

DAPE-CPR

Request for Assistance - Research and Development of a
Career Development Program for Army Club Managers

DAAG-CMO

DAPE-CPR

31 May 1977
Mr. McMullen/ke/52975

1. Reference: DF from your office, subject as above, dated 18 May 77.
2. Your request that a Club Manager career program be established has been forwarded to the Civilian Career Management Field Agency, the office that conducted a study of this subject in 1975. Mr. Raymond Varrone, ext. 31768, has been designated the project officer for review of your request.
3. Your request that a personnel system be developed similar to the AAFES Executive Management Program (EMP) involves a number of issues that cannot be resolved unilaterally by this office. The DOD Committee for NAF Personnel Policy has questioned the EMP in relation to the personnel policy established in DOD 1330.19-1M. The concept of "personal grade" and the discriminatory insurance and retirement benefits are questionable. In view of these questions, this office will seek guidance from DOD and advise you further on this point.
4. Problems that cannot be resolved within this office, in addition to paragraph 3 above, center mainly on funding. In order to establish a viable career program it is necessary to have a sufficient universe of positions to provide career ladders and upward mobility. In addition, sufficient funds must be available to foster mobility among employees. In the previous study of the club manager program the lack of positions and funds mitigated against the establishment of a career program. Your office will have to initiate actions to increase the numbers of positions and to provide some method of funding for personnel movement throughout the entire system.
5. Your request for the development of classification standards has been assigned to Mr. James Kennedy, DAPE-CPP, who may be contacted at 71153.

FOR THE DEPUTY CHIEF OF STAFF FOR PERSONNEL:

FRED R. GOSS, Chief
Programs and Regulations Division

PROPOSITION FORM

For use of this form, see AR 640-10; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL DAAG-CMO	SUBJECT Request for Assistance - Research and Development of a Career Development Program for Army Club Managers
TO DAPE-CFR DCSPER PENTAGON	FROM DAAG-CM TAGO/TAGCEN FORRESTAL
DATE 18 MAY 1977 CMT 1 Mr. Belgrano/bjm/31059	

1. References:

- a. Meeting held 11 May 77 concerning civilianization of military club managers - Army.
- b. AR 60-21, 12 November 1974.
- c. DF, DACS-DMA, 14 April 1977, subj: Army Club Management and Administration Study.

2. Meeting cited as reference 1a provided Mr. Daily of your office and other attendees with an overview of the history of club management and ongoing studies, and also alerted him to this request for assistance.

3. The Army Club Management Study '77 is in process and scheduled for completion by end of May 77. Information is needed concerning alternate means of career development/management of civilian club managers (GS and UA).

4. HQ, AAFES has developed a personnel system compatible with FPM for nonappropriated fund personnel that is more responsive to management and provides for better career development/management than afforded Army club managers. The more interesting aspects of AAFES personnel policies are:

- a. Executive career management program.
- b. Mobility Agreement: Managers at entrance grades and executive managers at senior grades.
- c. No requirement to pay overtime to management personnel.
- d. Use of civilian managers in combat zones.

5. A copy of AAFES Executive Management Program is provided as Inclosure 1. Civilian personnel policies of AAFES are outlined in AR 60-21.

6. CMD, TAGCEN DF, 30 Mar 77, requested development and publication of job classification standards for GS civilian club managers series 1101. Please advise as to the status of this request.

7A-2

DA FORM 2496

REPLACES DD FORM 1, EXISTING SUPPLIES OF WHICH WILL BE ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

GPO: 1971-441-002

JAAG-CMO

18 MAY 1977

SUBJECT: Request for Assistance - Research and Development of a Career Development Program for Army Club Managers

7. Request your office:

a. Develop a career development/management program to attract, retain, develop and utilize GS and UA club managers, somewhat ala AAFES program.

b. Determine the feasibility and time-frame for development of such a program.

c. Identify any problems that will require involvement outside the ODCSPER family.

8. As the club management study develops, it becomes more apparent that civilianization of many of the 1,000 military club manager positions, if not most, will be necessitated within the next two to four years.

9. Recommend a representative from your office meet with the study group - Army Club Management Study '77, to obtain any additional information or assistance, as required, concerning actions contained in paragraph 7, above.

10. As input from the action will be needed for completion of the Army Club Management Study '77, request your input solicited in paragraph 6, above, be provided NLT 24 May 77.

3/
11. CMD point of contact for this action is Mr. R. D. Belgrano/31059.

FOR THE ADJUTANT GENERAL:

SIGNED

1 Incl
as

JOHN H. BATTS
Colonel, GS
Acting Director
Club Management Directorate

EXECUTIVE MANAGEMENT PROGRAM (EMP)

To qualify for the EMP, an individual must:

- a. Have a satisfactory performance record of AAFES employment for the two-year period immediately prior to designation as an EMP employee following completion of the one-year probationary period.
- b. Be a United States citizen.
- c. Be selected and recommended for promotion through the Central Promotion Board process, and approved by the Commander, AAFES for promotion to grade UA 13, or otherwise have attained grade UA 13 or above.
- d. Not have had EMP status removed at any time, except as may be waived by the Commander, AAFES.
- e. Accept the conditions and obligations of the EMP as prescribed in AR 60-21/AFR 147-15.

Under the program, the Commander, ~~AAFES has the authority to~~

- a. ~~Select and designate qualified employees to EMP status.~~
- b. ~~Centrally administer EMP assignments and reassignments worldwide.~~
- c. ~~Prescribe executive managerial development, promotion, retention and separation policies.~~
- d. ~~Provide benefits commensurate with program obligations.~~

Members of the EMP retain their "personal" grade regardless of the position occupied. The personal grade aspect of the EMP is the most vital component in structuring the career-oriented cadre of professional executives within AAFES. This "rank in-the-man" concept provides a clearly defined program of competitive career-oriented progression and spaced promotional advancement based on performance and potential. The EMP employee's grade thus reflects personal ability and not necessarily the grade of his immediate assignment. This permits broadening the executive's experience through guided placement in a wider range of staff and operational positions without creating unnecessary movement turbulence.

The feature of ~~unqualified mobility~~ in the EMP is essential to AAFES mission accomplishment. To qualify for acceptance and retention in the program, the employee must agree to assignment to any worldwide exchange location at

any time and for any tour of duty deemed appropriate by AAFES, including unaccompanied tours. The responsiveness of the program was dramatically demonstrated in AAFES' ability to provide qualified and experienced executives to establish and maintain operations in Vietnam and Thailand on short notice. The program fulfills a recurring requirement to provide the same professional service at any location worldwide. In return, EMP employees are granted the benefits as listed in paragraph 5-9b, AR 60-21/AFR 147-15.

EMP employees are obligated to accept transfer throughout the worldwide AAFES except where it is determined that individual circumstances justify temporary deferment or withdrawal of a proposed transfer. Requests for transfer deferments may be approved based on cogent and/or compassionate reasons. If deferment is denied, the employee is obligated to accept the transfer. Nonacceptance of the transfer could result in separation of the employee.

The AAFES retirement program authorizes retirement, at management option only, of an EMP employee aged 45 or older with not less than 20 years service, who can no longer fulfill EMP obligations. EMP early retirement is a nonprejudicial action and is for the purpose of honorably retiring an EMP employee who has served AAFES in a satisfactory manner for a long period of time but who can no longer meet or fulfill EMP requirements and obligations. EMP early retirement is not an action entitling an employee to file a complaint or grievance or appeal of an adverse action, but the employee may request a hearing by a show cause board.

EMP early retirement may be pursued if:

- a. It is determined that it is in the best interests of AAFES that the services of the employee should be terminated because his performance and potential are judged marginal or he is otherwise unable to meet AAFES requirements.
- b. There is a record of marginal performance which is not considered substandard to the degree that would warrant separation for unsatisfactory performance, or
- c. There is conduct on or off the job which is incompatible with acceptable standards for AAFES executives, but which is not of sufficient magnitude to warrant separation for cause.

EMP employees also participate in a non-vested supplemental retirement plan provided that the employee:

- a. Has been terminated for one of the following reasons and receives an immediate annuity under the basic plan.

(1) Normal Retirement.

(2) Voluntary Early Retirement.

(3) Deferred Retirement (after attaining age 62 - with at least five years of credited civilian service).

(4) Disability.

b. Has been terminated involuntarily (against his will and without his consent) for reasons other than cause or a declination of transfer, after he has completed at least 20 years of credited civilian service and has attained at least 45 years of age.

An additional EMP benefit not listed in AR 60-21/AFR 147-15 is periodic physical examinations and fitness-for-duty medical examinations at AAFES expense. Employees under age 50 are examined biennially; those over age 50, annually; and, upon retirement at the employee's option.

EMP employees are also eligible for a supplemental group life and supplemental accidental death insurance benefit, provided they are participants in the Regular Group Insurance Plan.

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APPENDIX 7-B

APF REIMBURSEMENT FROM NAF

DACA-FP (22 Jul 77)

SUBJECT: Legal Opinion on Military Pay Reimbursement

TO DAAG-CMP

FROM DACA

DATE 25 Jul 77 CMT 2
Mr. Kennedy/saj/54296

1. You have requested an opinion as to the legality of reimbursing appropriated funds from nonappropriated funds for military pay of club management personnel. This question was raised because the Senate Committee Report on the FY 78 DOD Appropriation Act proposes to eliminate approximately 14,000 military manpower authorizations for nonappropriated fund activities (with a related general provision in the Act). Replacement is to be with civilian employees. To soften the impact of this reduction, it is proposed to retain a limited number of military personnel in the club system on a reimbursable basis. Addressing this question is difficult because (1) the FY 78 Bill has not yet been enacted; and (2) the language in the Committee Report appears to render the question moot, that is, the Committee Report states:

"The Committee directs that approximately 14,000 military personnel (the equivalent of one Army combat division) who will be reassigned as a result of this section be placed in *combat* positions. The reason for this is because of the undermanning of combat units shown on the table below:

Number of spaces undermanned—fiscal year 1978 plan

Army-----	\$42,000
Navy-----	\$15,000
Air Force-----	\$17,000
Marine Corps-----	\$ 2,400

Total-----\$76,400"

In addition to the foregoing clear and unequivocal direction, the Committee went on to state:

"The Committee is concerned about this undermanning, however, and has included the general provision discussed previously. Furthermore, the Committee directs that the Department provide a detailed analysis to accompany their 1979 budget submission showing how these 14,000 military personnel were reassigned. This should be clearly laid out in the 5-year defense program figures, and be reflected in the Committee's Defense Resources Model that is prepared by the Congressional Budget Office based on the FYDP data." (Emphasis supplied.)

DACA-FP

25 Jul 77

SUBJECT: Legal Opinion on Military Pay Reimbursement

From a pure legal standpoint, the above direction of the Committee does not have the legal effect of a statute. The language will no doubt not be included in the Appropriations Act. What will probably appear in the Appropriations Act, if enacted, is language substantially as follows: (This is the general provision referred to above.)

"None of the funds appropriated in this Act may be used to support more than 581 military personnel assigned to or used in the support of morale, welfare and recreation activities as described in Department of Defense Instruction 7000.12 and its inclosures dated July 17, 1974."

If nonappropriated funds bore the expense of the pay and allowances of military personnel assigned to these duties, there would be no use of appropriations because of the reimbursements. Such a procedure would be legally defensible. On the other hand, it could be argued that the "use" even if reimbursed is prohibited. This argument could be overcome by advance funding.

2. In view of the clear and unambiguous direction of the Committee, it would be highly unwise for the Army to attempt to retain these military personnel (in excess of that authorized by Congress) in morale and welfare positions.

3. The reporting requirements outlined by the Committee will make the status of military personnel assigned to morale and welfare activities extremely visible, and if the personnel are not transferred as directed, an overreaction by Congress could well be the result. Accordingly, retention of even a limited number of military personnel in the club system would be ill advised. If the general provision is enacted, we must bite the bullet, distasteful as it may be.

FOR THE COMPTROLLER OF THE ARMY:



OLIVER KENNEDY
Assistant Comptroller of the Army
Fiscal Policy

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL

SUBJECT

DAAG-CMP

Legal Opinion on Military Pay Reimbursement

TO
DACA-FPZ-A
COA
PENTAGON

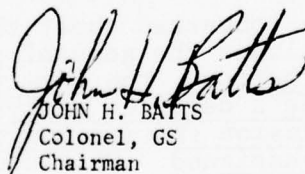
FROM

Chairman, Club Mgt
Study Group, TAGCEN
FORRESTAL

DATE 22 JUL 1977 CMT 1

COL Batts/bjm/31083

1. TAGCEN is currently engaged in an extensive study of current and future management of the Army club system. One of the major variables impacting on club operations is the manpower requirements, particularly the number and grade level of military personnel who will occupy managerial positions at installation, intermediate, and DA levels.
2. A recent action by the Senate has had a major impact on the military planning factors of our study. In the markup of the FY 78 DOD budget, the Senate Appropriations Committee, later confirmed by a full Senate vote, eliminated approximately 14,000 military manpower authorizations for the so-called "nonappropriated fund activities," meaning morale support programs and activities, including clubs. Replacement is to be with civilian employees. Since the House had not imposed this reduction action, it is our understanding that the matter will now be taken up by a joint committee during the week of 25 July.
3. If the actions of the Senate are confirmed by the joint committee, there will be an immediate, adverse impact on Army clubs, including the replacement of all military managers at installation level. The club management experience and training acquired and being utilized by approximately 900 military personnel will be lost to the Army.
4. One partial solution that we are exploring in our study would be the retention of a limited number of military personnel in the club system, but on a reimbursable basis. Army club nonappropriated funds would be utilized to reimburse the U. S. Treasury for the pay of military personnel in excess to that which may be mandated by the Congress. We are not aware of any previous reimbursement of this nature. A determination of the legality or authorization of such reimbursements is required.
5. Request a determination as to the legality of reimbursing appropriated funds from nonappropriated funds for military pay of club management personnel. Expeditious action is requested to permit the timely completion of the study (30 July 1977).


JOHN H. BATTS
Colonel, GS
Chairman

Club Management Study Group

7B-4

DA FORM 2496
1 FEB 62

REPLACES DD FORM 24, EXISTING SUPPLIES OF WHICH WILL BE
ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

★ GPO : 1971 - 441-655

DACA-FP (22 Jul 77)

SUBJECT: Legal Opinion on Military Pay Reimbursement

TO DAAG-CMP

FROM DACA

DATE 25 Jul 77 CMT 2
Mr. Kennedy/saj/54296

1. You have requested an opinion as to the legality of reimbursing appropriated funds from nonappropriated funds for military pay of club management personnel. This question was raised because the Senate Committee Report on the FY 78 DOD Appropriation Act proposes to eliminate approximately 14,000 military manpower authorizations for nonappropriated fund activities (with a related general provision in the Act). Replacement is to be with civilian employees. To soften the impact of this reduction, it is proposed to retain a limited number of military personnel in the club system on a reimbursable basis. Addressing this question is difficult because (1) the FY 78 Bill has not yet been enacted; and (2) the language in the Committee Report appears to render the question moot, that is, the Committee Report states:

"The Committee directs that approximately 14,000 military personnel (the equivalent of one Army combat division) who will be reassigned as a result of this section be placed in *combat* positions. The reason for this is because of the undermanning of combat units shown on the table below:

Number of spaces undermanned—fiscal year 1978 plan

Army-----	\$42,000
Navy-----	\$15,000
Air Force-----	\$17,000
Marine Corps-----	\$ 2,400

Total-----\$76,400"

In addition to the foregoing clear and unequivocal direction, the Committee went on to state:

"The Committee is concerned about this undermanning, however, and has included the general provision discussed previously. Furthermore, the Committee directs that the Department provide a detailed analysis to accompany their 1979 budget submission showing how these 14,000 military personnel were reassigned. This should be clearly laid out in the 5-year defense program figures, and be reflected in the Committee's Defense Resources Model that is prepared by the Congressional Budget Office based on the FYDP data." (Emphasis supplied.)

DACA-FP

25 Jul 77

SUBJECT: Legal Opinion on Military Pay Reimbursement

From a pure legal standpoint, the above direction of the Committee does not have the legal effect of a statute. The language will no doubt not be included in the Appropriations Act. What will probably appear in the Appropriations Act, if enacted, is language substantially as follows: (This is the general provision referred to above.)

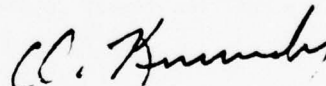
"None of the funds appropriated in this Act may be used to support more than 581 military personnel assigned to or used in the support of morale, welfare and recreation activities as described in Department of Defense Instruction 7000.12 and its inclosures dated July 17, 1974."

If nonappropriated funds bore the expense of the pay and allowances of military personnel assigned to these duties, there would be no use of appropriations because of the reimbursements. Such a procedure would be legally defensible. On the other hand, it could be argued that the "use" even if reimbursed is prohibited. This argument could be overcome by advance funding.

2. In view of the clear and unambiguous direction of the Committee, it would be highly unwise for the Army to attempt to retain these military personnel (in excess of that authorized by Congress) in morale and welfare positions.

3. The reporting requirements outlined by the Committee will make the status of military personnel assigned to morale and welfare activities extremely visible, and if the personnel are not transferred as directed, an overreaction by Congress could well be the result. Accordingly, retention of even a limited number of military personnel in the club system would be ill advised. If the general provision is enacted, we must bite the bullet, distasteful as it may be.

FOR THE COMPTROLLER OF THE ARMY:



OLIVER KENNEDY
Assistant Comptroller of the Army
Fiscal Policy

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL

SUBJECT

DAAG-CMP

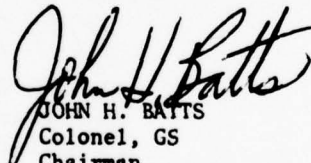
Legal Opinion on Military Pay Reimbursement

TO
DACA-FPZ-A
COA
PENTAGON

FROM
Chairman, Club Mgt
Study Group, TAGCEN
FORRESTAL

DATE
22 JUL 1977 CMT 1
COL Batts/bjm/31083

1. TAGCEN is currently engaged in an extensive study of current and future management of the Army club system. One of the major variables impacting on club operations is the manpower requirements, particularly the number and grade level of military personnel who will occupy managerial positions at installation, intermediate, and DA levels.
2. A recent action by the Senate has had a major impact on the military planning factors of our study. In the markup of the FY 78 DOD budget, the Senate Appropriations Committee, later confirmed by a full Senate vote, eliminated approximately 14,000 military manpower authorizations for the so-called "nonappropriated fund activities," meaning morale support programs and activities, including clubs. Replacement is to be with civilian employees. Since the House had not imposed this reduction action, it is our understanding that the matter will now be taken up by a joint committee during the week of 25 July.
3. If the actions of the Senate are confirmed by the joint committee, there will be an immediate, adverse impact on Army clubs, including the replacement of all military managers at installation level. The club management experience and training acquired and being utilized by approximately 900 military personnel will be lost to the Army.
4. One partial solution that we are exploring in our study would be the retention of a limited number of military personnel in the club system, but on a reimbursable basis. Army club nonappropriated funds would be utilized to reimburse the U. S. Treasury for the pay of military personnel in excess to that which may be mandated by the Congress. We are not aware of any previous reimbursement of this nature. A determination of the legality or authorization of such reimbursements is required.
5. Request a determination as to the legality of reimbursing appropriated funds from nonappropriated funds for military pay of club management personnel. Expeditious action is requested to permit the timely completion of the study (30 July 1977).


JOHN H. BATTS
Colonel, GS
Chairman
Club Management Study Group

70-7

DA FORM 2496

REPLACES DD FORM 15, EXISTING SUPPLIES OF WHICH WILL BE
ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

★ GPO : 1971 - 441-685

7C

APPENDIX 7-C

NAF CIVILIANIZATION OF ARMY CLUB MANAGEMENT POSITIONS

1. General.

a. The purpose of this appendix is to outline actions and/or programs that are required in order to accomplish efficient NAF civilianization of Army club management positions under each alternative organizational structure.

b. A gradual accession of NAF managerial personnel into installation club systems beginning in FY 78 would lessen the one time financial impact (\$23.4 million) created by a decision to withdraw APF personnel support for Army clubs at one time.

c. While total staffing authorizations for each alternative organizational structure are known, ratios of military to DAC and NAF club managers can be and will be influenced by different Army command levels under each alternative. Additionally, influence by other agencies can and will require adjustments to the staffing mix of the Army club system. Predictability of club staffing ratios, military vs civilian, depends on commanders at different levels and on adjustments imposed by other agencies. Some of these possible adjustments and those agencies and command levels that can impose them are shown in Table 1.

TABLE 1

MILITARY vs CIVILIAN STAFFING RATIO ADJUSTMENTS

<u>CAUSES FOR ADJUSTMENT</u>	<u>CONGRESS</u>	<u>DOD</u>	<u>DA</u>	<u>MACOM</u>	<u>INSTL CDR</u>
Reduction of military TDA spaces	X	X	X	X	X
Nonavailability of qualified mil			X		X
Voluntary reduction of APF support		X	X	X	X
Withdrawal of APF personnel support	X	X	X	X	X

d. Causes for Adjustment.

(1) Reduction of military TDA spaces. As shown in Table 1, all agencies have the ability to impose a reduction in military TDA spaces. Agencies above the installation commander level, under the current club system structure, could require installation club systems to eliminate military TDA positions due to Army-wide military end strength reductions or to facilitate accomplishment of priority mission requirements.

Installation commanders can, in accordance with existing regulations, voluntarily convert military TDA positions to civilian (DAC or NAF) positions. These same factors and players could also influence club staffing under the alternative organizational structures discussed in chapter 7.

(2) Nonavailability of qualified military personnel. In past years, the enlisted club manager career program has been short personnel which may have caused some installation club positions to remain vacant for a considerable period of time. This condition sometimes forced commanders to request conversion of a military TDA position to a DAC position or to hire a NAF manager even though the club system was not in a financial position to support the NAF manager. Managerial positions must be occupied by qualified personnel on a continuous basis in order for the club to operate efficiently.

(3) Voluntary reduction of APF personnel support. Commanders can, in the interest of maintaining management continuity, elect to hire only NAF managers to operate their clubs. By taking this action, they eliminate APF personnel support for their clubs which often impacts adversely on the club's ability to produce a net profit.

(4) Withdrawal of APF personnel support. Recent Congressional action has again revealed to DOD and DA that Congress is seriously concerned about the level of APF support provided MWR activities and is equally concerned about the number of military personnel assigned to these MWR activities. Due to this, DOD or DA could direct on their own, the elimination of military TDA spaces in clubs. Due to DAC end strengths, this could preclude conversion to DAC and, therefore, result in the withdrawal of APF personnel support to clubs without Congressional action.

e. If the worst case is assumed, that is the immediate replacement of all military personnel and DAC's with NAF civilians, the actual staffing requirement can be fixed in time. However, due to the myriad possibilities for staffing adjustment and the different agencies that can implement them, as discussed above, the number of military TDA positions that could or would be civilianized to NAF positions could fluctuate on a monthly basis. Because of these variables, an efficient NAF civilianization effort can only be accomplished on a gradual planned basis.

2. Requirements to be Satisfied Prior to Undertaking NAF Civilianization.

a. NAF club manager career field, UA Series 1101.

(1) A NAF club manager career development program must be established that includes the flexibility provisions contained in the AAFES career program. The NAF club manager career program must incorporate the following as a minimum:

(a) An executive management program for personnel in the career field who, through demonstrated job performance, have shown they have the potential to perform at the highest levels of management responsibility.

(b) A career intern program to ensure the career field is able to attract, train, and retain high quality personnel.

(c) A geographic mobility agreement that is part of the basic employment contract and will allow Army-wide placement of high quality managerial personnel.

(d) Incentives that will allow the NAF club manager career field to be competitive with those programs offered by the civilian hospitality industry. Without such a provision, it will be difficult to attract and retain high quality personnel into the NAF career field.

(e) A NAF management tariff that provides for an average work week of 51-54 hours for employees in the NAF club manager career field. This tariff is considered to be an absolute necessity since virtually half of the operating hours for a club operation fall in the evenings and on weekends and holidays. In addition, personnel in the NAF club manager career field must be exempt from the requirement to be paid overtime and night and holiday differential pay.

b. Standardized System of Internal Operations. Operations manuals must be developed for each functional area of Army club operations to facilitate standardization of training, continuity of management, and development and establishment of employee operational objectives and goals.

c. Comprehensive Training Program. In conjunction with the development of operations manuals, a training program must be developed that will address each operational function by level of responsibility within the NAF club manager career field. This training program must be designed and structured to provide training for employees to ensure their ability to progress upward through all levels of responsibility. In addition, the overall training program must be designed to provide training for special categories of employees in the career field. Some of the areas concerned are:

(1) Career intern training designed to allow specialization in functional areas such as food management, financial management or personnel management.

(2) Training designed to facilitate upward mobility and career progression in areas of specialization such as those discussed in the paragraph above.

(3) An advanced civilian schooling program designed to complement and/or embellish the internal training program. The civil schooling program must be designed to facilitate participation by employees with both generalized and specialized club training backgrounds.

d. Club System Training Facilities. Certain installation club systems or clubs must be identified and staffed to serve as training facilities for career interns and employees specializing in functional areas.

e. Determine Personnel Potential. A market survey must be conducted to determine personnel resources that are or could be available for accession into the NAF club manager career field. This survey would solicit information from the following sources: colleges, universities, junior colleges, trade schools, civilian employment agencies, state unemployment offices, and civil service region registers. Information regarding potential NAF club managers would also be obtained from the Army Club Management Centralized Civilian Referral Program. Additionally, procedures would be established with this office to ensure continuous coordination regarding NAF club personnel.

f. Recruiting Program. Upon completion of the above requirements or concomitant with their completion, a comprehensive recruiting program must be developed incorporating all of the provisions of the NAF club manager career field. When developed, this recruiting package must be competitive with packages offered by the civilian industry and enticingly and honestly presented to personnel from whatever sources are to be approached.

g. When all of the discussed requirements are satisfied and implemented, only then could an effort be made to proceed towards planned NAF civilianization of Army club management positions. However, gradual NAF civilianization could begin immediately under each of the alternative organizational structures examined by this study group.

h. The total requirements discussed in the proceeding paragraphs would only be necessary if the Army, or other agency, should decide or be directed to completely civilianize the Army club system. Some of these requirements would not be feasible or practicable to implement under all alternative organizational structures. The feasibility and practicability of requirements by alternative are shown in Table 2.

TABLE 2

APPLICABILITY OF REQUIREMENTS BY ALTERNATIVE

<u>REQUIREMENT</u>	<u>ALT I</u>	<u>ALT II</u>	<u>ALT III</u>
1. NAF Club Mgr Career Field	YES	YES	NO
2. Standard Sys for Internal Opns	YES	YES	YES (BY MACOM)
3. Comprehensive Tng Program	YES	NO (CMC)	NO (CMC)
4. System Training Facilities	YES	YES (Ltd)	NO
5. Determine Personnel Potential	YES	YES (Ltd)	NO
6. Recruiting Program	YES	NO	NO
7. Coordination with Army Civilian Referral Program	YES	YES	YES
3. <u>Discussion.</u>			

a. Alternative I, Army Club Command, is by far the most promising structure to facilitate and accommodate a NAF civilianization effort. The Army Club Command would be the career manager of the NAF club manager career field. Also, through centralized personnel management and centralized control of operational facilities, the Army Club Command will be able to ensure career development and career progression of all employees.

b. An Army Club Command with a NAF workforce would also be the best structure to affect a future merger with AAFES or other NAFI due primarily to the compatability of personnel categories and its centralized mode of operation.

c. Alternative II, Modified Club Management Directorate, would be the second best structure that could accommodate and function with a NAF workforce. However, since CMD would not have operational control of installation club systems, DCSPER would become the career manager for the NAF club manager career field. Under this structure, however, CMD, TAGCEN would be delegated the authority by DCSPER for the executive management of the Army club system.

d. The Modified Club Management Directorate with a NAF workforce would also facilitate a future merger with AAFES or other NAFI because of the compatability of personnel. However, the structure itself, with operational responsibility for club systems in the hands of installation commanders, could not as easily be merged with AAFES or other NAFI as could the Army Club Command structure.

e. Alternative III, Decentralized Command Channel System, is the least promising organizational structure to accommodate and operate with a NAF workforce. Because each individual MACOM would be given operational responsibility for the installation club systems within his command, this fragmentation of responsibility makes a NAF club manager career field less feasible. Under this structure, central management of the NAF career field would be practically impossible.

f. The decentralized structure with a NAF workforce would be the least likely structure to affect a future merger with AFFES or other NAFI even with its compatability of personnel. The fragmentation of operational responsibilities would work against such a merger.

g. Installation commanders should prepare clubs for eventual loss of APF personnel support. Under any alternative the Army club system should commence hiring NAF civilian vice military club managers. This accession should proceed with deliberate haste based on club's ability to fund additional payroll costs. Actions discussed in paragraph 2 are requisite to hiring NAF civilians in large numbers. These actions, responsible agencies and milestones are provided in Table 3.

4. Conclusions.

a. The development and implementation of a NAF club manager career field, competitive with the civilian industry, will be necessary to effect a greater degree of NAF civilianization of Army club management positions.

b. Programs needed to provide for increased NAF civilianization of Army club management positions should be developed soonest.

c. A gradual accession of NAF club managers could lessen the financial impact imposed on the Army club system by a decision to withdraw any APF personnel support.

d. Personnel and incentive provisions of the proposed NAF club manager career program will require Department of Defense approval.

5. Recommendations.

a. That requirements and programs outlined in Table 3 be completed by the appropriate action agencies in accordance with cited milestones.

b. That gradual accession of NAF club managers should begin immediately regardless of alternative approved.

c. That DCSPER, in conjunction with CMD, TAGCEN, take action to obtain DOD approval for special personnel and incentive provisions to be incorporated into the NAF club manager career program.

TABLE 3

REQUIREMENTS FOR NAF CIVILIANIZATION OF ARMY CLUB POSITIONS

<u>REQUIREMENTS</u>	<u>MILESTONES</u>			<u>ACTION AGENCY</u>
	<u>INITIATE NLT</u>	<u>COMPLETE NLT</u>		
1. NAF Club Manager Career Field	Sep 77	Apr 78		CMD, TAGCEN; DCSPER, DOL
a. Executive Management Program	Sep 77	Apr 78		CMD, TAGCEN; DCSPER; DOD
b. Career Intern Program	Sep 77	Apr 78		CMD, TAGCEN; DCSPER; DOL
c. Geographic Mobility Agreement	Sep 77	Apr 78		CMD, TAGCEN; DCSPER
d. Incentive Authorization	Sep 77	Apr 78		CMD, TAGCEN; DCSPER; DOL
e. NAF Management Tariff	Sep 77	Apr 78		CMD, TAGCEN; DCSPER; DOD
f. Exempt from Overtime, Differential Pay	Sep 77	Apr 78		CMD, TAGCEN; DCSPER; DOD
2. Standard System of Internal Operations	Aug 77	Jun 78		CMD, TAGCEN
3. Comprehensive Training Program	Aug 77	Jun 78		CMD, TAGCEN
4. System Training Facilities	Aug 77	Apr 78		CMD, TAGCEN; MACOM
5. Determine Personnel Potential	Sep 77	Feb 78		CMD, TAGCEN
6. Recruiting Program	Sep 77	Jun 78		CMD, TAGCEN; Civilian Career Management Field Agency

7-D

APPENDIX 7-D

COMPUTATION OF ESTIMATED NAF

PERSONNEL COSTS

1. The average cost per person for each of 690 positions identified below installation level in Alternative I has been used as the basis for computing NAF personnel costs vice military and DA civilian personnel costs for Alternatives II and III.
2. Factors used in computing NAF civilian personnel costs were:
 - a. Universal Annual (UA) pay schedule applicable to each pay grade for 690 positions.
 - b. Permanent Change of Station (PCS) per person costs of \$2,600 for CONUS and \$5,600 for overseas areas.
 - c. Living Quarters Allowance (LQA) in overseas areas of \$3,600 per person.
 - d. Temporary Living Allowance (TLA) of \$580 per person.
 - e. Overseas Dependent School Tuition Fee of \$1,835 per school age dependent child.
 - f. One-time training cost \$3,300 per person.
 - g. Employee benefit package of 18 percent of gross salary.
3. Working papers in support of the above are available at CMD, TAGCEN.
4. Based on the above, an average per person cost of \$22,580 was computed. Consequently, the proposed number of personnel to staff each alternative, multiplied by the \$22,580 average per person cost, will result in the estimated personnel cost for the alternative.
5. The average cost per person of \$22,580 was applied to the July 1977 TDA authorization of 1,034 personnel which results in a total civilianization cost of \$23,347,720 or \$23.4 million if appropriated fund personnel support were totally withdrawn.

8-A

APPENDIX 8-A

STAFFING JUSTIFICATION

ALTERNATIVE I - ARMY CLUB COMMAND SYSTEM

1. Club Command Headquarters.

a. Commanding General's Office.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
4	2	5	11

(2) Justification.

(a) One space for a general officer who in behalf of the Board of Directors formulates regulatory policy for management of Army clubs and exercises command and control of worldwide club assets. He commands and administers total workforce of military and NAF civilian personnel engaged in club operations and management worldwide. He has overall responsibility for the accomplishment of the Army Club Command.

(b) One (1) officer space to perform the functions of a Deputy.

1. Plan, direct and coordinate the functions of the staff and the regions reporting to the Headquarters.

2. Perform the day to day operational functions of the Army Club Command to free the Commander.

(c) One (1) officer space to perform the following functions of an adjutant.

1. Plan, direct, and coordinate activities of employees engaged in military personnel administration, and the preparation, authentication, and publication of directives, orders, and bulletins concerning the Army Club Command System.

2. Authenticate publications, directives, and form letters.

3. Control all actions and reports generated in the office of the adjutant.

4. Supervise the dispatch and use of Government vehicles.

5. Function as Headquarters Commandant having nonjudicial punishment jurisdiction over enlisted personnel.

(d) One (1) enlisted space to perform the following functions as a Command Sergeant Major:

1. Maintenance of the records of assigned military personnel.

2. Preparation of input to SIDPERS.

3. Maintenance of a reference file of regulations, circulars, pamphlets, memoranda, etc.

4. Provides advice and assistance to the commander and adjutant on military personnel management and administration matters.

5. Conduct periodic reviews of Army Club Command and its overseas regions for such matters as organization, functions, staffing, workload, mission accomplishment, and overall effectiveness and responsiveness.

(e) One (1) enlisted space to perform the following administrative and supply functions:

1. Prepare and maintain emergency data and beneficiary records.

2. Contact and followup to ensure accomplishment of annual, separation, or special medical examinations and immunizations.

3. Counsel and refer individuals to appropriate support facility with respect to such personal affairs as medical and dental care, transportation, civil rights, social security benefits, and special assistance programs.

4. Process decoration and award actions.

5. Process enlisted personnel management actions such as MOS testing and proficiency evaluations.

6. Prepare and maintain personnel suspense cards and initiate actions relating to items such as medical examinations, qualification in arms, and expiration of terms of service.

7. Process requests for attendance at Army service schools.

8. Maintain the Command Property Book.

9. Prepare work orders and submit them to the proper post or civilian agency.

10. Provide general supply functions.

(f) One (1) NAF civilian space to perform the following functions as a Business Management Advisor:

1. Provide representation in business contacts with commercial industry including representatives of food and beverage, commercial industry entertainment, hotel, and motel industries, management consultant firms, as well as manufacturers of equipment, supplies and related merchandise.

2. Serves as the principal staff officer for the commander and provides civilian continuity for the Command.

(g) One (1) NAF civilian space to perform the functions of Public Information Officer. These functions include planning and carrying out externally oriented information efforts through the use of public information media; providing local and national media enterprises with material about the Army Club Command operations and personnel; maintaining liaison with civic, governmental, business, and other organizations; and furnishing the Commander, Army Club Command with information needed to prepare speeches for civil organizations.

(h) One (1) officer space to perform the functions of a Judge Advocate General. Functions include providing the commander with legal advice in such areas as administrative law, procurement law, and general legal services.

(i) Three (3) spaces to provide administrative and clerical support for the Commanding General and the Headquarters personnel.

b. Resource Management Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
6	0	0	19	25

(2) Justification.

(a) One (1) officer space to plan, direct, and supervise the overall functions of the Resource Management Division. He will have overall

responsibility for the personnel management of the division workforce of 28 personnel. He will provide final approval on priority correspondence, congressionals and other high level communications.

(b) One (1) NAF civilian space to provide administrative and clerical support for the division chief.

(c) One (1) officer space to perform the function of Custodian, Army Club Fund (ACF). Functions of the executive manager of the ACF include plans and decisions concerning budgets and expenditures; investments; cash management; loans; grants; income; club assessments; insurance contributions; payments, claims; and contract administration.

(d) Ten (10) NAF civilian spaces to perform the following functions:

1. Develop, review, interpret, update, and implement basic policies, procedures, and techniques governing the management and use of financial resources within the Army Club Command.

2. Develop program/budget data to include submissions to higher headquarters and disseminate guidance to Army Club Command regions as appropriate.

3. Implement Department of Defense policies concerning Army Club Command financial management and the use of nonappropriated funds for support of club operations.

4. Coordinate the preparation and maintenance of OMA and NAF program/budget data for Army Club Command.

5. Make recommendations concerning the financial resources authorized and available for major construction and renovation of Army clubs.

6. Approval authority for dissolution of Army clubs and assure appropriate disposition of residual assets.

7. Perform accounting services for the ACF.

(e) Four (4) officer and one (1) NAF civilian spaces to perform the following personnel functions:

1. Monitor and assist in the development and implementation of personnel management and career programs for officers, warrant officers, enlisted, and civilian personnel of the Army Club Command in coordination with appropriate commands and agencies.

2. Develop programs to recruit personnel into the club management field.

3. Coordinate with MILPERCEN on projected assignments of commissioned officers, warrant officers, and NCO's to the Army Club Command.

(f) Three (3) NAF civilian spaces to perform the following review and analysis functions:

1. Review each Army Club Command region's consolidated capital expenditure budget to ensure that forecasted profits generate sufficient funds for projected capital outlays.

2. Coordinate the preparation of a quarterly review and analysis of Army club operations for presentation and submission to Headquarters, Department of the Army, highlighting progress in attainment of objectives, explanation of unfavorable conditions and recommended solutions.

3. Review and approve Army Club Command regional detailed quarterly review and analysis prior to the regional presentation to related commands.

(g) Four (4) NAF civilian spaces to provide administrative and clerical support for the division.

c. Plans, Policy and Operations Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
1	0	0	17	18

(2) Justification.

(a) One (1) officer space to plan, direct, and supervise the overall functions of the Operations and Training Division. Responsibilities include the personnel management of the division workforce of 18 personnel, as well as providing final approval on priority correspondence, congressional and other high level communications.

(b) Two (2) NAF civilian spaces to perform the following plans and policy functions:

1. Promulgate Army Regulations, manuals, and directives governing the establishment, operation, management, and dissolution of Army clubs world-wide.

2. Develop, coordinate, and prepare for publication, manuals, directives, pamphlets, and similar publications covering all aspects of Army club operations, management, and support services.

3. In coordination with Department of the Army staff agencies, develop and implement military and civilian employee staffing guides for clubs.

(c) Three (3) NAF civilian spaces to perform the following operations functions:

1. Establish operating goals and objectives for each Army Club Command region and develop procedures and controls necessary to ensure attainment.

2. Review regional financial summaries, operating reports, audit reports, inspection and assistance reports, and similar documents to determine the adequacy of Department of the Army policy guidance and procedures. If necessary, direct the regions to take remedial action.

3. Develop a marketing plan for Army Club Command and maintain liaison with commercial industry to stay abreast of advances in hospitality and marketing trends.

4. Provide technical guidance to the Army Club Command regions on matters concerning Army club construction and renovation.

5. Develop, implement, and administer a management information system that provides an analytical portrayal of Army club operations.

6. Develop management indicators to isolate key factors which trigger Army Club Command evaluation and measurement of activity and system performance against attainment of pre-determined goals and objectives.

7. Respond to inquiries from Army club management personnel.

(d) Two (2) NAF civilian spaces to perform the following surveillance functions:

1. Assure that each Army Club Command region controls the review, analysis, and coordination of Army club audit reports, inspection reports, special investigate reports, and serious incident reports. Perform the final review, evaluation, and closeout of each of the above reports.

2. Implement, coordinate, and administer Department of the Army commercial audit programs for Army clubs.

3. Initiate Department of the Army followup actions to Army club audit reports containing inadequate or incomplete corrective actions.

4. Schedule audits of Army clubs.

(e) Four (4) NAF civilian spaces to perform the following training and assistance functions:

1. Determine Army club MOS related training needs, provide technical advice and assistance, and monitor accomplishment in coordination with the US Army Training and Doctrine Command (TRADOC).

2. Arrange for professional presentations at each Army Club Command region.

3. Conduct specialty training for personnel assigned to Army Club Command.

4. Review and assist the regions with development of club operating manuals.

5. Maintain a reference book library on food service/club management and operations.

6. Ensure club assistance functions are performed by each Army Club Command region.

(f) Two (2) NAF civilian spaces to perform procurement functions which include providing selective contract administration service to the Army Club fund (ACF) and all clubs in Army Club Command; developing and administering a uniform system of procurement within Army Club Command; and resolving protests, disputes, claims, and similar contractual actions.

(g) Four (4) NAF civilian spaces to provide the administrative and clerical support for the division chief and division personnel.

2. Army Club Command, United States Region.

a. Headquarters, United States Region.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
2	0	2	1	5

(2) Justification.

(a) One (1) officer space to perform the functions of regional commander which include directing and supervising the overall functions of the United States Region.

(b) One (1) officer space to perform adjutant functions which include preparing, authenticating and publishing directives, orders, and bulletins concerning regional operations; authenticating directives and form letters; supervising the two enlisted personnel in the Headquarters element; exercising control of all actions and reports generated in the office of the adjutant; authenticating documents which require the signature or certification of an officer; and functioning as headquarters commandant having nonjudicial punishment jurisdiction over enlisted personnel.

(c) One (1) enlisted space to conduct periodic reviews of the United States Region for such matters as organization, function, staffing, workload, mission accomplishment and overall effectiveness and responsiveness.

(d) One (1) enlisted space to perform the functions of an Administrative/Supply NCO which include maintaining the personnel records and assisting individuals in handling personal affairs; preparing and issuing authenticated applications for ID cards; and preparing and maintaining personnel suspense cards and initiating actions relating to items such as efficiency and evaluation records, medical exams, qualification with arms, and expiration of terms of service.

(e) One (1) NAF civilian space to provide administrative and clerical support for the regional commander and the headquarters element.

b. Operations Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
1	0	0	39	40

(2) Justification.

(a) One (1) officer space and seven (7) NAF civilian spaces to perform budget analyst functions for the entire United States region. These functions include developing and funding a United States Region budget maintaining liaison and coordination with the Resource Management Division in the Army Club Command Headquarters. Also, reviewing,

interpreting and implementing basic policies, procedures and techniques governing the management, and use of financial resources with the United States Region; developing program/budget data to include submission to the Army Club Command Headquarters and disseminating guidance to subordinate field offices as appropriate. In addition to budget analyst functions, the officer is the division chief.

(b) Fourteen (14) NAF civilian spaces to perform review and analysis functions which include reviewing capital expenditure budgets for clubs within their jurisdiction to ensure that forecasted profits generate sufficient funds for projected capital outlays; and preparing a quarterly program review and analysis of club operations in the United States for presentation and submission to the Commanding General, Headquarters, Army Club Command, highlighting progress in attainment of regional objectives, explaining the unfavorable conditions and recommending solutions.

(c) Two (2) NAF civilian spaces to perform the functions of surveillance which include reviewing, analyzing and coordinating United States Regional club audit reports, inspection reports, special investigative reports and serious incident reports, and forwarding these reports to Headquarters, Army Club Command, for final review; implementing Department of the Army policies and procedures governing audits of clubs in the United States; and maintaining close liaison with the Headquarters, Army Club Command, surveillance personnel.

(d) Six (6) NAF civilian spaces to perform procurement functions which include providing selective contract administration service for all Army clubs throughout the United States Region; developing and administering a uniform system of procurement within the region, performing technical and legal contractual review for the regional clubs and command; resolving protests, disputes, claims, and similar contractual actions; monitoring CONUS restrictions pertaining to the procurement, storage, distribution, sale, and consumption of alcoholic beverages, and determining compliance with those restrictions.

(e) Four (4) NAF civilian spaces to perform the plans, policy, and operations which include reviewing summaries of financial reports, operating reports, audit reports, inspection and assistance reports, and similar documents to determine the adequacy of Army Club Command and Department of the Army policy guidance and procedures taking remedial action if necessary; maintaining liaison with commercial industry within the United States Region; and implementing Department of the Army and Army Club Command policies and staffing guidance on internal control procedures in the region and maintaining continued review of operations to ensure compliance with existing Department of the Army and Army Club Command regulations.

(f) Six (6) NAF civilian spaces to perform administrative and clerical functions for the division chief and division personnel.

c. Training and Assistance Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
6	5	3	34	48

(2) Justification.

(a) One (1) officer space to perform the functions of a division chief. These functions include supervising the division operations and personnel and advising the United States regional commander on training and assistance matters.

(b) One (1) NAF civilian space to perform the functions of a training officer. These functions include determining the United States Region club MOS related training needs; identifying, developing, coordinating with Headquarters, Army Club Command, and/or providing Army club related non-MOS producing training; determining requirements for and procuring training aids, material and devices; and maintaining liaison with Headquarters, Army Club Command training personnel.

(c) Five (5) officers, five (5) warrant officers, three (3) enlisted, and twenty-five (25) NAF civilian spaces to perform club assistance functions. The functions of the assistance personnel are to provide technical advice and assistance to the United States Region and monitor its accomplishment; to provide on-site assistance and technical guidance as required to include review and/or implementation of club OJT programs; provide professional assistance in all areas of club management and operations; and assure that previous findings and recommendations contained in AAA and IG reports have been followed and implemented as required; and evaluation of productivity to include operational areas, accounting functions, and support services. Additional assistance functions include providing advice and assistance in the areas of menu preparation and construction; providing advice and assistance in business and financial management aspects of Army club operations in the United States Region; and maintaining liaison with counterpart in assistance at Headquarters, Army Club Command.

(d) Eight (8) NAF civilian spaces to provide administrative and clerical support for the division chief and division personnel.

3. Army Club Command, Korea Region.

a. Headquarters, Korea Region.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
1	0	2	1	4

(2) Justification.

(a) One (1) officer space to perform the functions of regional commander which include directing and supervising the overall functions of the Pacific Region.

(b) One (1) enlisted space to perform administrative functions for all personnel assigned to the field office.

(c) One (1) enlisted space to perform the functions of an Administrative/Supply NCO which include maintaining the personnel records and assisting individuals in handling personal affairs; preparing and issuing authenticated applications for ID cards; preparing and maintaining personnel suspense cards; and initiating actions relating to items such as efficiency and evaluation records, medical examinations, qualification with arms, and expiration of terms of service.

(d) One (1) NAF civilian space to provide administrative and clerical support for the regional commander and the headquarters element.

b. Operations Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
0	0	0	7	7

(2) Justification.

(a) One (1) space to perform the functions of division chief and budget analyst for the Region. The primary function of the division chief is to supervise the operations and personnel of the Operations Division. The function of a budget analyst include developing and funding the Korea Region budget and maintaining liaison and coordination with Resource Management Division, Headquarters, Army Club Command.

(b) Four (4) NAF civilian spaces to perform review and analysis functions which include reviewing capital expenditure budgets to ensure that forecasted profits generate sufficient funds for projected capital outlays; and preparing a quarterly program review and analysis of club operations for presentation and submission to the Commanding General, Headquarters, Army Club Command, highlighting progress in attainment of regional objectives, explaining the unfavorable conditions and recommending solutions.

(c) One (1) NAF civilian space to perform the functions of surveillance which include reviewing, analyzing and coordinating club audit reports, inspection reports, special investigative reports, and serious incident reports and forwarding these reports to Headquarters, Army Club Command, for final review; implementing Department of the Army policies and procedures governing club audits; and maintaining close liaison with Headquarters, Army Club Command, surveillance personnel.

(d) One (1) NAF civilian space to perform administrative and clerical functions for the division chief and division personnel.

c. Training and Assistance Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
1	0	2	6	9

(2) Justification.

(a) One (1) officer space to perform the functions of a division chief. These functions include supervising the division operations and personnel, and advising the Commander on training and assistance matters.

(b) One (1) NAF civilian space to perform the functions of a training officer. These functions include determining the Korea Field Office club MOS related training needs; identifying, developing, and coordinating with Headquarters, Army Club Command, and/or providing Army club related non-MOS producing training; determining requirements for and procuring training aids, material, and devices; and maintaining liaison with Headquarters, Army Club Command training personnel.

(c) Two (2) enlisted and three (3) NAF civilian spaces to perform club assistance functions. The functions of the assistance personnel are to provide technical advice and assistance to the Korea Region and monitor its accomplishment; to provide on-site assistance and technical guidance

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as required to include review and/or implementation of club OJT programs; provide professional assistance in all areas of club management and operations; and assure that previous findings and recommendations contained in AAA and IG reports have been followed and implemented as required; and evaluation of productivity to include operational areas, accounting functions, and support services. Additional assistance functions include providing advice and assistance in the areas of menu preparation and construction; providing advice and assistance on business and financial management aspects of Army club operations; and maintaining liaison with counterpart in assistance at Headquarters, Army Club Command.

(d) Two (2) NAF civilian spaces to provide administrative and clerical support for the division chief and division personnel.

4. Army Club Command, European Region.

a. Headquarters, European Region.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
2	0	2	1	5

(2) Justification.

(a) One (1) officer space to perform the functions of regional commander which include directing and supervising the overall functions of the European Region.

(b) One (1) officer space to perform adjutant functions which include publishing directives, orders, and bulletins concerning regional operations; authenticating directives and form letters; supervising the two enlisted personnel in the headquarters element; exercising control of all actions and reports generated in the office of the adjutant; authenticating documents which require the signature or certification of an officer; and functioning as Headquarters Commandant having nonjudicial punishment jurisdiction over enlisted personnel.

(c) One (1) enlisted space to conduct periodic reviews of the European Region for such matters as organization, function, staffing, workload, mission accomplishment, and overall effectiveness and responsiveness.

(d) One (1) enlisted space to perform the functions of an Administrative/Supply NCO which include maintaining the personnel records and

assisting individuals in handling personal affairs; preparing and issuing authenticated applications for ID cards; preparing and maintaining the personnel suspense cards; and initiating actions relating to items such as efficiency and evaluation records, medical exams, qualification with arms, and expiration of terms of service.

(e) One (1) NAF civilian space to provide administrative and clerical support for the regional commander and the headquarters element.

b. Operations Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
1	0	0	16	17

(2) Justification.

(a) One (1) officer space to perform the functions of division chief and budget analyst for the European Region. The primary function of the division chief is to supervise the operations and personnel of the Operations Division. The functions of a budget analyst include developing and funding the European Budget, and maintaining liaison and coordination with Resource Management Division, Headquarters, Army Club Command.

(b) Seven (7) NAF civilian spaces to perform review and analysis functions which include reviewing capital expenditure budgets to ensure that forecasted profits generate sufficient funds for projected capital outlays; and preparing a quarterly program review and analysis of European club operations for presentation and submission to the Commanding General, Headquarters, Army Club Command, highlighting progress in attainment of regional objectives, explaining the unfavorable conditions and recommending solutions.

(c) One (1) NAF civilian space to perform the functions of surveillance which include reviewing, analyzing, and coordinating European Region club audit reports, inspection reports, special investigative report, and serious incident reports and forwarding these reports to Headquarters, Army Club Command, for final review; implementing Department of the Army policies and procedures governing European club audits; and maintaining close liaison with Headquarters, Army Club Command, surveillance personnel.

(d) Three (3) NAF civilian spaces to perform procurement functions which include providing selective control administration service for all

Army clubs throughout the European Region; developing and administering a uniform system of procurement within the European Region; performing technical and legal contractual reviews for the regional clubs and command; resolving protests, disputes, claims, and similar contractual actions; and monitoring European restrictions pertaining to the procurement, storage, distribution, sale, and consumption of alcoholic beverages, and determining compliance with those restrictions.

(e) Two (2) NAF civilian spaces to perform the plans, policy and operations which include reviewing summaries of financial reports, operating reports, audit reports, inspection and assistance reports, and similar documents to determine the adequacy of Army Club Command and Department of the Army policy guidance and procedures taking remedial action if necessary; maintaining liaison with commercial industry within the European Region; and implementing Department of the Army and Army Club Command policies and staffing guidance on internal control procedures in the region and maintaining existing Department of the Army and Army Club Command regulations.

(f) Three (3) NAF civilian spaces to perform administrative and clerical functions for the division chief and division personnel.

c. Training and Assistance Division.

(1) Recommended staffing for Alternative I.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>CIV</u>	<u>TOTAL</u>
3	2	2	11	18

(a) One (1) officer space to perform the functions of a division chief. These functions include supervising the division operations and personnel and advising the European regional commander on training and assistance matters.

(b) One (1) NAF civilian space to perform the functions of a training officer. These functions include determining the European Region club MOS related training needs; identifying, developing, coordinating with Headquarters, Army Club Command, and/or providing Army club related non-MOS producing training; determining requirements for and procuring training aids, material and devices; and maintaining liaison with Headquarters, Army Club Command, training personnel.

(c) Two (2) officer, two (2) warrant officer, two (2) enlisted, and five (5) NAF civilian spaces to perform club assistance functions. The functions of the assistance personnel are to provide technical advice and

assistance to the European Region and monitor its accomplishment; to provide on-site assistance and technical guidance as required to include review and/or implementation in all areas of club management and operations; and assure that previous findings and recommendations contained in AAA and IG reports have been followed and implemented as required; and evaluation of productivity to include operational areas, accounting functions, and support services. Additional assistance functions include providing advice and assistance in the areas of menu preparation and construction; providing advice and assistance on business and financial management aspects of Army club operations in the European Region; and maintaining liaison with counterpart in assistance at Headquarters, Army Club Command.

(d) Five (5) NAF civilian spaces to provide administrative and clerical support for the division chief and division personnel.

9A

APPENDIX 9-A

STAFFING JUSTIFICATION

ALTERNATIVE II - CLUB MANAGEMENT DIRECTORATE,
TAGCEN (MODIFIED)

1. Club Management Directorate, TAGCEN.

a. Office of the Director.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
2	1	1	4

(2) Justification.

(a) One (1) officer space to function as Director of Club Management, formulate Annual Operating Plan and Capital Expenditure Plan for the Board of Advisors and act on recommendations of the Board of Advisors as approved by the DCSPER and TAG.

(b) One (1) officer space to:

1. Serve as a Program Coordinator and as Chief of Plans and Coordination office which includes exercising authority and responsibility for operational functions of the Directorate activities.

2. Assist the Director in formulating, establishing, and coordinating policies, regulations, and procedures necessary to the operation and administration of the Directorate.

3. Coordinate on various types of action papers prior to submission to the Director.

4. Administer the CMD equal employment opportunity, race relations, grievance, civilian and military awards and decorations, safety and management/labor relations programs.

5. Perform periodic reviews of CMD staff elements to ensure compliance with established procedures, attainment of mission, objectives and organizational efficiency.

6. Establish priorities and plan the work effort of the CMD organization and establish systems and procedures applicable to the operation of the Army club system.

(c) One (1) enlisted space to conduct periodic review of Club Management Directorate and its regions for such matters as organization, functions, staffing, workload, mission accomplishment and overall effectiveness and responsiveness, particularly as they apply to enlisted clubs and represent the Directorate on all enlisted matters.

(d) One (1) civilian space to provide administrative and clerical support for the Director.

b. Plans and Coordination Office.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
0	1	5	6

(2) Justification.

(a) Two (2) civilian spaces to:

1. Plan and develop programs to ensure timely development of CMD organization consistent with evolution of the Army club system.

2. Determine Directorate's long and short-range objectives.

3. Manage, coordinate and conduct studies, projects, and programs.

4. Formulate policies for operation of the Directorate organization.

5. Ensure cohesiveness and coordination of Directorate efforts.

6. Supervise administrative services.

(b) One (1) civilian space administers the club management information program, publishes the Army Host, maintains continual contact with representatives of hospitality, industry, and educational institutions in order to remain knowledgeable on technological advances and improvements.

(c) One (1) enlisted space to maintain records of assigned military personnel; maintain a reference file of regulations, circulars, pamphlets, memoranda, etc.; maintain reports control register and requisition, and/or pick up supplies as required.

(d) Two (2) NAF civilian spaces to provide administrative and clerical support for the plans and coordination office.

c. Policy and Financial Management Division.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
2	0	26	28

(2) Justification.

(a) One (1) officer space to:

1. Function as Chief, P&FM.
2. Plan and coordinate the workload within the division.
3. Supervise approximately 25 personnel.
4. Assist the Director by developing general guidance for club operational problems.

(b) Four (4) civilian spaces to:

1. Develop and recommend policy and procedures to supplement or revise Army Regulations 210-65 and 230-60.
2. Develop and recommend policy and procedures to supplement or revise Army regulations concerning internal control, financial management, funding, logistical, and service support for Army clubs, for which other staff elements have DA proponentcy.
3. Interpret Army policy, procedures and practices concerning Army clubs and respond to inquiries from all sources within the Department of the Army, other governmental agencies, the news media, industry and private citizens.
4. Determine Army club system requirements for control and management accounting systems; monitor the operation of these systems.
5. Review and approve nonappropriated fund club construction projects. Review and recommend approval of partial or fully funded projects, using appropriated funds. These reviews include International Balance of Payments (IBOP) requirements for clubs overseas.

6. Present and defend club requirements for construction and renovation funded by OMA funds.

7. Recommend approval or disapproval of requests for the establishment and dissolution of Army clubs.

8. Recommend approval or disapproval of donations to Army clubs exceeding \$1,000.

(c) One (1) officer space and three (3) civilian spaces to:

1. Provide management of the Army Club Fund loan and assessment program.

2. Prepare, submit for approval, maintain, and adjust the CMD OMA and NAF budgets.

(d) Two (2) civilian spaces to administer the club commercial audit program and perform liaison with AAA concerning Army club policy and the AAA club audit program.

(e) Seven (7) civilian spaces to review and recommend approval of operational budgets and significant adjustments thereto for Army clubs worldwide.

(f) Five (5) civilian spaces to:

1. Review and analyze club budgets and financial statements and identify clubs experiencing operational and financial difficulty and recommend remedial or corrective action as appropriate.

2. Develop and disseminate quarterly review and analyze information to TAG, DTAG, CMD, regional and field offices, MACOM's installation commanders, and club managers.

3. Prepare special analysis of club financial operations as required.

4. Administer CMD's functional segment of the TAGCEN MIS.

(g) Five (5) NAF civilian spaces to provide administrative and clerical support for the Division Chief and division personnel.

d. Training and Assistance Division.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
5	1	11	17

(2) Justification.

(a) One (1) officer space.

1. Perform the functions of Division Chief and Branch Chief.
2. Plan and coordinate the workload of the Division.
3. Supervise training and assistance efforts of CMD and its regional offices.
4. Recommend priorities, scheduling and use of training and assistance personnel.
5. Prepare and maintain reports of visits and commanders comments.

(b) One (1) officer and four (4) civilian spaces to:

1. Maintain a training and experience profile for military and civilian personnel assigned to the Army club system.
2. Determine the DA training requirements for military and civilian club managers.
3. Provide HQ TRADOC technical information and advice concerning standards required to upgrade the MOS producing Club Management Course.
4. Develop training materials for all levels of installation club management, service, and skill-level personnel.
5. Direct, assist, and monitor the conduct of club in-house training programs.
6. Produce Army club training films.
7. Establish and maintain a reference book and training film library.

(c) One (1) officer space to prepare continuing market analyses for use by all elements of the Army club system and develop operating procedures for use by Army clubs.

(d) One (1) officer, one (1) enlisted, and one (1) civilian space to:

1. Monitor the requirements, authorizations, and staffing of command and control supervisory management positions for Army clubs.

2. Review and recommend approval of individual applications for the enlisted club management specialty MOS 00J50, request CID background investigations for all applicants and administer the results of such investigations.

3. Review and recommend changes to military and civilian staffing guides for club management positions.

4. Assist in the development of civilian club management career programs.

(e) One (1) officer and six (6) NAF civilian spaces to provide administrative and clerical support for the Operations and Analysis Branch.

2. United States Region.

a. Recommended staffing for Alternative II.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
10	5	4	17	36

b. Justification.

(1) One (1) officer space to:

(a) Perform the functions of Chief, United States Region.

(b) Plan, direct, and control operations within the United States Region in accordance with Directorate policy and guidance.

(c) Supervise the personnel assigned to the region.

(d) Ensure that club assistance functions are performed within the prescribed geographic area.

(e) Assist the Director with general guidance on club operational problems within the United States Region.

(2) Nine (9) officer, five (5) warrant officers, four (4) enlisted and 14 NAF civilian spaces to (includes three NAF civilian manager interns):

(a) Perform assistance functions for the defined United States Region.

(b) Provide onsite assistance and technical guidance in areas of club management and operations.

(c) Organize "desks" to provide assistance and information to MACOM's or group of MACOM's.

(d) Provide advice and assistance in areas of menu preparation and construction, and the preparation of standard recipes of food and beverage operations.

(e) Review and assist, as required, with the development of operating manuals.

(f) Provide advice and assistance on financial management aspects of Army club operations.

(g) Conduct liaison visits, technical and management assistance visits, command requested assistance visits, visits to educational institutions, and formal report followup evaluation visits.

(h) Provide assistance to other NAFI's engaged in food and beverage exclusive of post exchanges or post restaurants within capability of current resources and as approved by TAGCEN.

(3) Three (3) NAF civilian spaces to perform administrative and clerical support functions for the Chief, United States Region and assigned personnel.

3. Headquarters, Europe Regional Office.

a. Recommended staffing for Alternative II.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
2	2	3	7

b. Justification.

(1) One (1) officer space to:

(a) Perform the functions of Chief, Europe Region.

(b) Plan, direct, and control club operations within Europe in accordance with Directorate policy and guidance.

(c) Supervise the personnel assigned to the regional office.

(d) Ensure that club assistance functions are performed within the prescribed geographic area.

(e) Assist the Director with general guidance on club operational problems within the Europe Region.

(2) One (1) officer space to:

(a) Perform administrative officer functions which include taking or referring action on certain types of incoming correspondence.

(b) Obtain reports or statistics as directed.

(c) Advise the chief of the region on all personnel and administrative matters.

(d) Plan, direct, and coordinate the activities of the employees assigned to the Headquarters, authenticating publications, directives, form letters, and other documents which require the signature of an officer.

(e) Have nonjudicial punishment jurisdiction over assigned enlisted personnel.

(3) One (1) enlisted space to perform the functions of a Club Management NCO which include conducting periodic reviews of the Europe Region for such matters as organization, functions, staffing, workload, mission accomplishment, and overall effectiveness and responsiveness, particularly as they apply to enlisted clubs.

(4) One (1) enlisted space to:

(a) Perform administrative and supply functions which include maintaining records of assigned military and NAF civilian personnel.

(b) Prepare input to SIDPERS.

(c) Maintain a reference file of regulations, circulars, pamphlets, memoranda, etc..

(d) Prepare and maintain personnel suspense data cards.

(e) Requisition and pick up supplies as needed.

(5) Two (2) NAF civilian spaces to provide administrative and clerical support to the Chief, Europe Region and other Headquarters personnel.

(6) One (1) NAF civilian space to:

(a) Perform mail and distribution functions which include receiving, inspecting, and controlling mail to include certified and registered mail and messages.

(b) Determine the action officer.

(c) Deliver and dispatch mail.

c. Operations and Analysis Branch, Europe Region.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>NAF CIV</u>	<u>TOTAL</u>
0	12	12

(2) Justification.

(a) One (1) NAF civilian space to:

1. Perform the functions of Branch Chief.

2. Plan and coordinate the workload within the branch.

3. Supervise those personnel assigned to the branch.

4. Assist the Chief, Europe Region, with general guidance on club operational problems.

(b) Four (4) NAF civilian spaces to:

1. Perform financial operations functions which include implementing Department of the Army policy and guidance on club management, as well as operations.

2. Recommend regional goals and objectives and implementing procedures and controls necessary to ensure attainment.

3. Review summaries of financial reports, operating reports, audit reports, inspection and assistance reports to determine the adequacy of Department of the Army policy guidance and procedures, and if necessary, taking remedial action and conducting marketing surveys in Europe.

(c) Four (4) NAF civilian spaces to:

1. Perform review and analysis functions which include implementing the Army club information system, monitoring key management indicators, and submitting reports as required.

2. Review Army club capital expenditure budgets to ensure that forecasting profits generate sufficient funds for projected capital outlays.

3. Prepare quarterly review and analysis to be submitted to the Director, Army Club Management Directorate and to be presented to commands in Europe as requested.

(d) One (1) NAF civilian space to:

1. Perform procurement functions which include developing and administering a uniform procurement system within the Europe Region.

2. Obtain technical and legal contractual reviews.

3. Resolve protests, disputes, claims and similar contractual actions.

(e) Two (2) NAF civilian spaces to provide administrative and clerical support.

d. Training and Assistance Branch, Europe Region.

(1) Recommended staffing for Alternative II.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
5	1	3	7	16

(2) Justification.

(a) Five (5) officer, one (1) warrant officer, three (3) enlisted, and five (5) NAF civilian spaces to:

1. Perform training and assistance functions for the Europe Region.
2. Provide onsite assistance/technical guidance in areas of club management and operations as required.
3. Provide advice and assistance in areas of menu preparation and construction.
4. Provide advice and assistance on financial management.
5. Conduct specialty training for personnel assigned to the region.
6. Develop training programs to be conducted at operational and middle management levels.
7. Determine regional club MOS-related training needs and provide technical advice and assistance.
8. Provide assistance to other NAFI's engaged in food and beverage exclusive of post exchanges and post restaurants within capability of current resources and as approved by TAGCEN.

(b) Two (2) NAF civilian spaces to perform administrative and clerical support for the Training and Assistance Branch.

4. Korea Regional Office.

a. Recommended staffing for Alternative II.

<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
3	1	2	3	9

b. Justification.

(1) One (1) officer space to:

(a) Perform the functions of Chief, Korea Regional Office.

(b) Plan, direct, and control operations in accordance with Directorate policy and guidance.

- (c) Supervise the personnel assigned to the regional office.
- (d) Ensure that club assistance functions are performed within the prescribed geographic area.
- (e) Assist the Director with general guidance on club operational problems within the Korea Regional Office.
- (2) Two (2) officer, one (1) warrant officer, two (2) enlisted, and one (1) NAF civilian spaces to:
 - (a) Perform assistance functions for the defined area.
 - (b) Inspect, monitor, and provide written and onsite technical guidance and direction to all Army clubs within assigned jurisdiction of the Korea Regional Office.
 - (c) Interpret Army club policies, procedures and practices.
 - (d) Provide technical training and management assistance to Army clubs within the Korea Regional Office.
 - (e) Maintain continuous contact with major and installation commanders and installation club managers concerning supervision, control, and operation of Army clubs.
 - (f) Provide assistance to other NAFI's engaged in food and beverage, exclusive of post exchange or post restaurants within capability of current resources and as approved by TAGCEN.
 - (g) Two (2) NAF civilian spaces to perform administrative and clerical support for the Chief, Korea Regional Office and assigned personnel.

10-A

APPENDIX 10-A

STAFFING JUSTIFICATION

ALTERNATIVE III

DECENTRALIZED COMMAND CHANNEL SYSTEM

1. Headquarters Department of the Army, Club Management Directorate, TAGCEN.

a. Office of the Director.

(1) Recommended staffing for Alternative III.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
2	1	0	3

(2) Justification

(a) One (1) officer space to function as Director of Club Management, formulate club policy and act on recommendations as approved by the DCSPER and TAG.

(b) One (1) officer space to:

1. Serve as a Program Coordinator and as Chief of Plans and Coordination office which includes exercising authority and responsibility for operational functions of the Directorate activities.

2. Assist the Director in formulating, establishing, and coordinating policies, regulations, and procedures necessary to the operation and administration of the Directorate.

3. Coordinate on various types of action papers prior to submission to the Director.

4. Administer the CMD equal employment opportunity, race relations, grievance, civilian and military awards and decorations, safety and management/labor relations programs.

5. Perform periodic reviews of CMD staff elements to ensure compliance with established procedures, attainment of mission, objectives and organizational efficiency.

6. Establish priorities and plan the work effort of the CMD organization and establish systems and procedures applicable to the operation of the Army club system.

(c) One (1) enlisted space to conduct periodic review of Club Management Directorate for such matters as organization, functions, staffing, workload, mission accomplishment and overall effectiveness and responsiveness, particularly as they apply to enlisted clubs and represent the Directorate on all enlisted matters.

b. Plans and Coordination Office.

(1) Recommended staffing for Alternative III.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
0	1	5	6

(2) Justification.

(a) Two (2) civilian spaces to:

1. Plan and develop programs to ensure timely development of CMD organization consistent with evolution of the Army club system.

2. Determine Directorate's long and short range objectives.

3. Manage, coordinate and conduct studies, projects, and programs.

4. Formulate policies for operation of the Directorate organization.

5. Ensure cohesiveness and coordination of Directorate efforts.

6. Supervise administrative services.

(b) One (1) civilian space administers the club management information program, publishes the Army Host, maintains continual contact with representatives of hospitality industry and educational institutions in order to remain knowledgeable on technological advances and improvements.

(c) One (1) enlisted space to maintain records of assigned military personnel; maintain a reference file of regulations, circulars, pamphlets, memoranda, etc., maintain reports control register and requisition and/or pick up supplies as required.

(d) Two (2) NAF civilian spaces to provide administrative and clerical support for the Director and the plans and coordination office.

c. Policy and Financial Management Division.

(1) Recommended staffing for Alternative III.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
2	0	14	16

(2) Justification.

(a) One (1) officer space to:

1. Function as Chief, P&FM.
2. Plan and coordinate the workload within the division.
3. Supervise approximately 15 personnel.
4. Assist the Director by developing general guidance for club operational problems.

(b) Four (4) civilian spaces to:

1. Develop and recommend policy and procedures to supplement or revise Army Regulations 210-65 and 230-60.
2. Develop and recommend policy and procedures or revise Army regulations concerning internal control financial management, funding, logistical and service support for Army clubs, for which other staff elements have DA proponentcy.
3. Interpret Army policy, procedures and practices concerning Army clubs and responds to inquiries from all sources within the Department of the Army, other governmental agencies, the news media, industry and private citizens.
4. Determine Army club system requirements for control and management accounting systems; monitors the operation of these systems.
5. Review and approve nonappropriated fund club construction projects in excess of MACOM approval authority. Review and recommend approval of partial or fully funded projects, using appropriated funds. These reviews include International Balance of Payments (IBOP) requirements for overseas MACOM's.

6. Presents club requirements for construction and renovation funded by OMA funds.

7. Recommends approval or disapproval of requests for the establishment and dissolution of Army clubs.

8. Recommends approval or disapproval of donations to Army clubs exceeding \$1,000.

(c) One (1) officer space and three (3) civilian spaces to:

1. Provide management of the Army Club Fund loan and assessment program.

2. Prepare, submit for approval, maintain and adjust the CMD, OMA and NAF budgets.

(d) Two (2) civilian spaces to administer the club commercial audit program and perform liaison with AAA concerning Army club policy and the AAA club audit program.

(e) Two (2) civilian spaces to:

1. Collect and summarize data received for MACOM for input to the HQDA quarterly review of Army club operations and Annual Worldwide summary.

2. Develop and disseminate a HQDA quarterly review and analyze information to TAG, DCSPER and MACOM's.

3. Prepare special analysis of club financial operations as required.

4. Administer CMD's functional segment of the TAGCEN MIS.

(f) Three (3) NAF civilian spaces to provide administrative and clerical support for the Division Chief and division personnel.

d. Training and Assistance Division.

(1) Recommended staffing for Alternative III.

<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
3	1	8	12

(2) Justification

(a) One (1) officer space:

1. Perform the functions of Division Chief.
2. Plan and coordinate the workload of the Division.

(b) One (1) officer and four (4) civilian spaces to:

1. Maintain a training and experience profile for military and civilian personnel assigned to the Army club system.
 2. Determine the DA training requirements for military and civilian club managers.
 3. Provide HQ TRADOC technical information and advice concerning standards required to upgrade the MOS producing Club Management Course.
 4. Develop training materials for all levels of installation club management, service and skill-level personnel.
 5. Direct, assist and monitor the conduct of in-house training programs for each MACOM.
 6. Produce Army club training films.
 7. Establish and maintain a reference book and training film library.
- (c) One (1) officer space to prepare continuing market analyses for use by all elements of the Army club system and develop operating procedures for use by Army clubs.
- (d) One (1) officer, one (1) enlisted and one (1) civilian space to:
1. Monitor the requirements, authorizations, and staffing of command and control supervisory management positions for Army clubs.
 2. Review and recommend approval of individual applications for the enlisted club management specialty MOS 00J50, request CID background investigations for all applicants and administer the results of such investigations.

3. Review and recommend changes to military and civilian staffing guides for club management positions.

4. Assist in the development of civilian club management career programs.

(e) Three (3) NAF civilian spaces to provide administrative and clerical support for the Training and Assistance Division.

2. Headquarters MACOM's.

a. MACOM's with one club system and one or more club facilities.

(1) Recommended staffing for Alternative III:

	<u>OFF</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
TJAG			1	1
RCPAC			1	1
DMA			1	1
Okinawa			2	2
Taiwan			2	2
USMA	1		1	2
USARJ	<u>1</u> 2		<u>1</u> 9	<u>2</u> 11

(2) Justification. MACOM's with more than one facility were authorized a minimum of one space for staff functions and one space for assistance functions.

b. MACOM's with more than one club system based in CONUS and less than 10 club facilities.

(1) Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
INSCOM			1	2	3
MTMC			1	2	3
HSC	1			4	5
DLA				5	5
MDW	1	1		4	6
USACC	<u>1</u> 3	<u>1</u> 1	<u>2</u> 2	<u>4</u> 21	<u>5</u> 27

(2) Justification. MACOM's with more than one club system were authorized a minimum of one space for staff functions and two spaces for technical training and management assistance functions.

c. DARCOM

Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
Staff functions	1	0	0	5	6
Assistance	1	1	0	3	5
Admin/clerical	<u>0</u> 2	<u>0</u> 1	<u>0</u> 0	<u>2</u> 10	<u>2</u> 13

d. TRADOC

Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
Staff functions	1	0	1	8	10
Assistance	2	1	1	4	8
Admin/clerical	<u>0</u> 3	<u>0</u> 1	<u>0</u> 2	<u>3</u> 15	<u>3</u> 21

e. FORSCOM

Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
Staff function	1	0	1	13	15
Assistance	2	2	1	6	11
Admin/clerical	$\frac{0}{3}$	$\frac{0}{2}$	$\frac{0}{2}$	$\frac{5}{24}$	$\frac{5}{31}$

f. U.S. Eighth Army

Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
Staff function	1	0	1	14	16
Assistance	2	1	1	2	6
Admin/clerical	$\frac{0}{3}$	$\frac{0}{1}$	$\frac{0}{2}$	$\frac{5}{21}$	$\frac{5}{27}$

g. USAREUR

Recommended staffing for Alternative III.

	<u>OFF</u>	<u>WO</u>	<u>ENL</u>	<u>NAF CIV</u>	<u>TOTAL</u>
Staff function	3	0	1	14	18
Assistance	3	1	2	4	10
Admin/clerical	$\frac{0}{6}$	$\frac{0}{1}$	$\frac{0}{3}$	$\frac{5}{23}$	$\frac{5}{33}$

11-A

APPENDIX 11-A
CENTRALIZED ARMY COMMISSARY AND CLUB SYSTEM

1. General.

a. The purpose of this analysis is to determine the feasibility of centralized management of the Army club system by the US Army Troop Support Agency should it be determined that clubs would be best managed under a vertical concept.

b. This study group visited Headquarters, Troop Support Agency on 10 May 1977. Purpose of this visit was to obtain knowledge of the TSA organization, and problems the agency has encountered in development and execution of centralized management and operation of commissaries. At the time of the visit, management of Army clubs by TSA was not under consideration as an alternative in the Club Management Study 1977. The assumption of centralized management of Army clubs by TSA fell out as a possibility as a result of information garnered during the visit.

2. Assumptions.

a. Appropriated fund support for the Army club system will be withdrawn or significantly curtailed not later than October 1980.

b. Club appropriated fund civilians will continue to be utilized until terminated based on (1) decision regarding conversion to NAF, or (2) withdrawal of appropriated fund support.

c. Clubs will be managed under the existing and/or modified organizational structure pending assumption of centralized management by TSA.

d. Appropriated funds will pay all severance costs of civil service personnel.

e. Civil service personnel will be offered functional transfers as NAF employees to TSA.

f. Clubs will operate in a nonappropriated fund mode generating sufficient funds for improvement and/or construction of new facilities.

g. TSA will distribute a part of Class VI profits of the Army club system to the Army Central Welfare Fund for redistribution to Army installations.

h. Appropriated fund support for a cadre of military personnel will be authorized on either a nonreimbursable or reimbursable basis.

3. Concept of Operation.

a. TSA would assume centralized management of clubs based on the following concepts of operations.

(1) HQDA general staff responsibility for club management would be transferred from DCSPER to DCSLOG. TSA, under the general staff supervision of the DCSLOG, would develop and promulgate policies and procedures for the centralized management of the Army club system.

(2) Clubs would be operated as a vertical organization using TSA current commissary organizational structure, modified as appropriate to accommodate clubs.

(3) Military cadre at the Headquarters, TSA and regional offices would be authorized for supervision of the Army club system.

(4) Individual clubs would be operated as a nonappropriated fund activity with NAF civilian managers paid from club funds.

(5) A management information and accounting system for clubs would be developed and installed.

(6) The club management course, currently located at Fort Benjamin Harrison, would be relocated to Fort Lee, Virginia.

(7) A NAF civilian career program (similar to that currently used by AAFES) would be developed and installed for club managerial personnel. TSA would assume career manager responsibility for a NAF civilian career program.

(8) Minor installation support would continue to be provided to clubs, e.g., security, communications, etc.

b. Centralized management of clubs would be accomplished in phases based on a detailed plan. A TAGCEN and TSA task force would be established to develop this plan.

4. Background.

a. By Program/Budget Decision 282, the Secretary of Defense directed a study be conducted to determine ways to improve the efficiency, organization and operating structure of military commissary stores. Responsibility for direction of the study was assigned to the Assistant Secretary of Defense, Manpower and Reserve Affairs (M&RA). The study was conducted by an OSD study group appointed in accordance with the terms of reference outlined in a memorandum issued by ASD, M&RA.

b. In its report "Study of Military Commissary Stores," Volumes I and II, dated May 1975, the study group evaluated the following alternatives for the management of services commissary stores.

- (1) Alternative 1--Centralized Separate Service Systems.
- (2) Alternative 2--Merger of Commissaries/Exchanges.
- (3) Alternative 3--Joint Service Commissary System.
- (4) Alternative 4--Government Owned, Contractor Operated.

The study group recommended adoption of Alternative 1. Additionally, the study group recommended that "after the services have separately adopted centralized management and have been operational for a sufficient period of time to evaluate customer losses and operational costs, the services should assess whether consolidation into a joint-service commissary system would be cost advantageous to the customers. Such assessment should also focus on the desirability of lessor consolidation such as an Army/Air Force commissary system."

c. On 3 July 1975, OSD directed the Army to centralized management of Army commissaries. Accordingly, a plan was developed and implementing instructions issued on 10 October 1975.

5. Centralized Management of Army Commissaries.

a. The US Army Troop Support Agency (TSA), under the HQDA general staff supervision of the Deputy Chief of Staff for Logistics (DCSLOG), is assigned responsibility for the management and operation of commissaries Army-wide. TSA assumed centralized management of Army commissaries in 1976. The responsibility for command and operational control of commissaries Army-wide was transferred from MACOM's and installation commanders to TSA.

b. In addition to its commissary function, TSA is assigned the mission for other troop support functions as shown in figure 1. They include the Army food program (including dining facilities for military personnel); troop issue subsistence; clothing sales and issues; and laundry and dry cleaning activities. The operation of activities involved in these functions (excluding commissaries) is currently decentralized to MACOM's and installation commanders.

c. At the headquarters level, TSA is organized as shown in figure 2. The Deputy Commander for Commissary Operations assists the Commander in the execution of his functions and responsibilities in all matters pertaining to the centralized management of Army commissaries. The Directorate of Commissary Operations (figure 3) serves "as the principal

TSA staff element to initiate and develop criteria to centrally manage the establishment, requirements, general quality, and operational characteristics of commissary stores and issue commissaries; to provide staff management and technical assistance on all phases of commissary resale and troop issue operations; and to centrally manage and control the system for providing supermarket-type items for sale to specified patrons at the lowest practicable price, with recoupment of all operating costs that may be assessed by law for providing such authorized services and for the operation of such commissary facilities."

d. The TSA field organization for Army commissaries is as shown in figure 4. Five regional offices have been established and assigned responsibility for the operation and control of Army commissaries within their respective geographical areas.

e. As of 30 June 1977, the Army commissary system included 141 commissary stores and 37 annexes. Annual sales for FY 76 exceeded one billion dollars (\$1,028,925,076).

f. Commissaries are currently operated in an appropriated funded mode with only direct cost reimbursable as defined in the applicable section of the annual DOD Appropriation Act. These reimbursable direct costs include (1) supplies and equipment, (2) maintenance of equipment, (3) utilities within the United States, excluding Alaska, and (4) actual or estimated costs of shrinkage, spoilage, and pilferage of merchandise under control of commissary stores.

g. Reimbursable funds are used to finance direct cost enumerated above, which by law, must be borne by monies collected from resale commissary patrons (surcharge collections). The surcharge, Trust Revolving Fund Account (TRFA), is also used to finance the construction of commissaries within the United States. MCA funds are authorized for construction of commissaries outside the United States.

h. All commissary civilian employees, both managerial and operational, are civil service (DAC). A civilian career management program and an intern program have been developed and implemented.

i. A management information system for Army commissaries, with applications for logistics management and financial management has been developed. The ASAC 360E plus an inventory control system will be installed in four CONUS regions. The enhanced ASAC 360 plus system has been installed in all of the commissary stores in Europe. An IBM 360-40 computer with peripheral equipment was installed in Zweibruecken during April 1977.

j. Commissary store and troop issue are separate operations. The troop issue function is decentralized to MACOM's and installation commanders.

6. Discussion/Analysis.

a. TSA has a worldwide organization and management structure which would facilitate its assumption of the club function. The addition of a Directorate of Club Operations to the TSA headquarters staff and club management personnel at regional offices could provide TSA the necessary expertise to assume administrative functions involved in club operations. However, they would have to be augmented to obtain the necessary club technical expertise for operation of the Army club system.

b. Clubs and commissaries are service oriented. Commissaries operate in an appropriated fund mode, and are available for use by all active and retired military personnel, dependents of active and retired military personnel, and other authorized patrons. Clubs operate in a nonappropriated fund mode as membership organizations and must be largely self-sustaining. Both clubs and commissaries represent commercial style management and operations in a military environment.

c. Clubs are now an integral part of the Army's Welfare, Morale and Recreation program (MWR). The Adjutant General, under the general staff supervision of the DCSPER, currently exercises DA staff supervision and control of MWR activities. Commissaries are considered logistical activities and are managed and operated by TSA under the general staff supervision of the DCSLOG. Because this organizational concept would require the same supervision and control of clubs now provided commissaries, the reassignment of the club management function from DCSPER to DCSLOG would be required if TSA were to manage and operate clubs. Such functional reassignment would; however, eliminate HQDA single MWR program manager through diffusion of responsibility and to that extent cause organizational fragmentation.

d. In recent years, there has been significant concern in the Congress regarding appropriated fund support for MWR programs. This concern has been reflected in Congressional recommendations which would significantly reduce and/or eliminate appropriated fund support for MWR programs. This is substantiated by the recent recommendation of the Senate Appropriations Committee to replace the 14,000 military personnel engaged in supervision and operation of the Armed Services MWR programs with civilians. Such Congressional recommendations, if approved by the Congress, coupled with other actions being considered by DOD and DA, could be the eventual replacement of the majority of military club management personnel (current strength--919) with NAF civilians.

e. Commissaries, because of the nature of their operations, are also being continually scrutinized by Congress, OMB, DOD, and private interest groups. Commissaries, as well as clubs, are subjected to pressures which could result in a significant reduction and/or elimination of their current level of appropriated fund support. This is evidenced by the FY 77 budget submitted to Congress by the President which proposed the elimination of appropriated fund support for commissaries over a 3-year period beginning in FY 77. However, the Congress, in its actions on the FY 77 DOD Appropriations Act, restored full appropriated funding for commissaries. Adding responsibility for club operations to TSA could increase the risk of reduction and/or elimination of appropriated fund support for commissaries.

f. TSA is fully involved in centrally managing commissaries. It is also assigned supervisory responsibility for other troop support functions (i.e., launaries, clothing sales stores, dining facilities, etc.). Adding responsibility for club operations could cause confusion as to the combined organization's mission and could result in clubs being placed in a secondary position with respect to the primary mission of the command.

g. The assumption of the club management function by TSA could result in some personnel savings. However, such savings are not considered to be substantial. Headquarters, TSA and regional offices would require augmentation to obtain the necessary club management technical expertise. Additionally, economies could be achieved through the use of the TSA ADP system, modified as appropriate; centralized procurement; technical training and management assistance, and facility layout and design. The quantification of economies would require detailed study. There would be development costs and implementing costs for a club management information system. Severance pay for DAC's; relocation costs of the club management course to Fort Lee; relocation costs of military and civilian personnel would be paid with appropriated funds. Indirect support now being provided the Army club system from appropriated fund resources would probably cease.

h. Centralization of club accounting and NAF civilian personnel functions under TSA would impact adversely on the viability of NAF CAO and CPO functions at the installation level because clubs are the principal users and pay the majority of their NAF operating costs. Notwithstanding the above, the study group considers the centralization of these functions under any organizational mode to be paramount to the efficient operation of Army clubs.

i. TSA's assumption of centralized management of clubs would require TSA to operate in both an appropriated and nonappropriated fund mode. A NAF civilian career program for club managerial personnel, similar to that

currently used by AAFES, would also be required. The centralized management of the NAF civilian personnel function would require augmentation of the Headquarters, TSA staff.

j. The assumption of the centralized club function by TSA would transfer operational control for clubs from installation commanders to TSA. This action could result in a reduction in indirect support for clubs that is currently being provided by installation commanders because of their parochial interests.

k. The possibility of further consolidation of the service commissaries into an Army/Air Force commissary system and/or DOD commissary system must also be recognized. It is expected that DOD will review Army and Air Force commissary centralized management system during FY 78. The results of this review could lead to further organizational changes for Army commissaries. These conditions tend to mitigate against TSA's assumption of the club function in the short, mid and long range.

i. Integration of management of the Army club system has been in constant evolution since 1971 and is ongoing. The centralized management of clubs could be accomplished under the current organization structure with minimum modifications thereto. Assumption of operational control for the Army club system by TSA would be disruptive to the TSA organization. Considering all factors, the study group sees no overall significant advantage to TSA being assigned responsibility for central management of the Army club system.

7. Advantages and Disadvantages.

a. Advantages.

- (1) Would provide a unified command for club management.
- (2) Would achieve standardization and uniformity in policies and procedures.
- (3) Could result in increased economies in administration, data systems, accounting, facilities designing and layout, procurement, etc.
- (4) Would provide MACOM and installation commanders additional time for conduct of other mission functions.
- (5) Would provide some improvement in the professional development of military club managers, i.e., officers, warrant officers, and noncommissioned officers.
- (6) Would increase management's capability and responsiveness in decisionmaking and problem solving.

- (7) Would provide increased opportunities for NAF civilian personnel.
- (8) Would reduce organizational fragmentation within the Army Club Management structure.
- (9) Could provide greater flexibility in the management of NAF civilian personnel.
- (10) Clubs could benefit from the food service expertise of Headquarters, TSA.

b. Disadvantages.

- (1) Could precipitate reduction in appropriated fund resources now required for the operation of the Army club system to include military personnel.
- (2) Would create organizational turbulence.
- (3) Would eliminate HQDA single MWR program manager through diffusion of responsibility and would therefore cause organizational fragmentation.
- (4) Would initially break the continuity of club operations and programs.
- (5) Could result in high initial establishment costs.
- (6) Could impact adversely on the continuance of appropriated fund support for commissary operations if clubs and commissaries are merged. This could result in commissaries being given a lower priority for appropriated fund support.
- (7) Would impact adversely on other morale, welfare, and recreation activities and functions.
- (8) Would result in initial personnel turbulence.
- (9) Could encounter resistance from installation and major commanders concerning their loss of supervision and operational control over clubs.
- (10) Could result in adverse reactions from club membership concerning loss of "their club."
- (11) Could require major revisions in current (or planned) accounting and management information systems or the development of new systems for clubs.

(12) Could result in a loss of experienced civilian club management personnel.

(13) Could result in increased visibility by Congress and private interest groups of club and commissary operations.

(14) Would provoke problems in the establishment of a viable incentive and career management program for NAF civilians since it would require exceptions to current Army regulations.

(15) Could result in clubs being placed in a secondary position with respect to the primary missions of TSA.

(16) Could encounter problems (violation of intent--use military personnel in hard programs) in the use of military personnel on a reimbursable basis if all appropriated funds for clubs are eliminated. If military personnel were continued to be used in club operations, even on a reimbursable basis, this could be interpreted as a violation of Congressional intent.

8. Conclusion. The assignment of operational control of the Army club system to Headquarters, TSA is not considered a viable alternative for the short and mid range management of Army clubs, in view of the uncertainty regarding TSA's continued operations of commissaries. It could be a viable alternative in the long range.

9. Recommendation. That the central management of Army clubs by TSA not be considered as a viable option at this time.

FIGURE 1

US ARMY TROOP SUPPORT AGENCY

MISSION

The mission of the US Army Troop Support Agency is to assist the DCSLOC, HQDA, in the execution of his general staff responsibilities for development, supervision, and operation of troop support functions for Active Army, US Army Reserve, and the National Guard. These troop support functions consist of (1) Army Food Program activities including dining facilities for military personnel (except hospital and nonappropriated fund), troop issue subsistence, and resale commissary stores; and (2) clothing sales and issues, Central Issue Facilities (CIF), and laundry and dry cleaning activities. Specifically, TSA:

- a. Serves as the central management agency for Armywide commissary resale stores.
- b. Provides management direction and standardized procedures for worldwide operation of the Army Food Service Program (garrison and field food service, subsistence supply, and food preparation and storage operations), troop issue subsistence, resale commissary operations, laundry and dry cleaning activities, CIF, clothing sales stores and clothing initial issue points.
- c. Provides interface with other activities and agencies concerned with doctrine, education, and training related to troop support functions identified in b above.

FIGURE 2

US ARMY TROOP SUPPORT AGENCY

ORGANIZATIONAL CHART

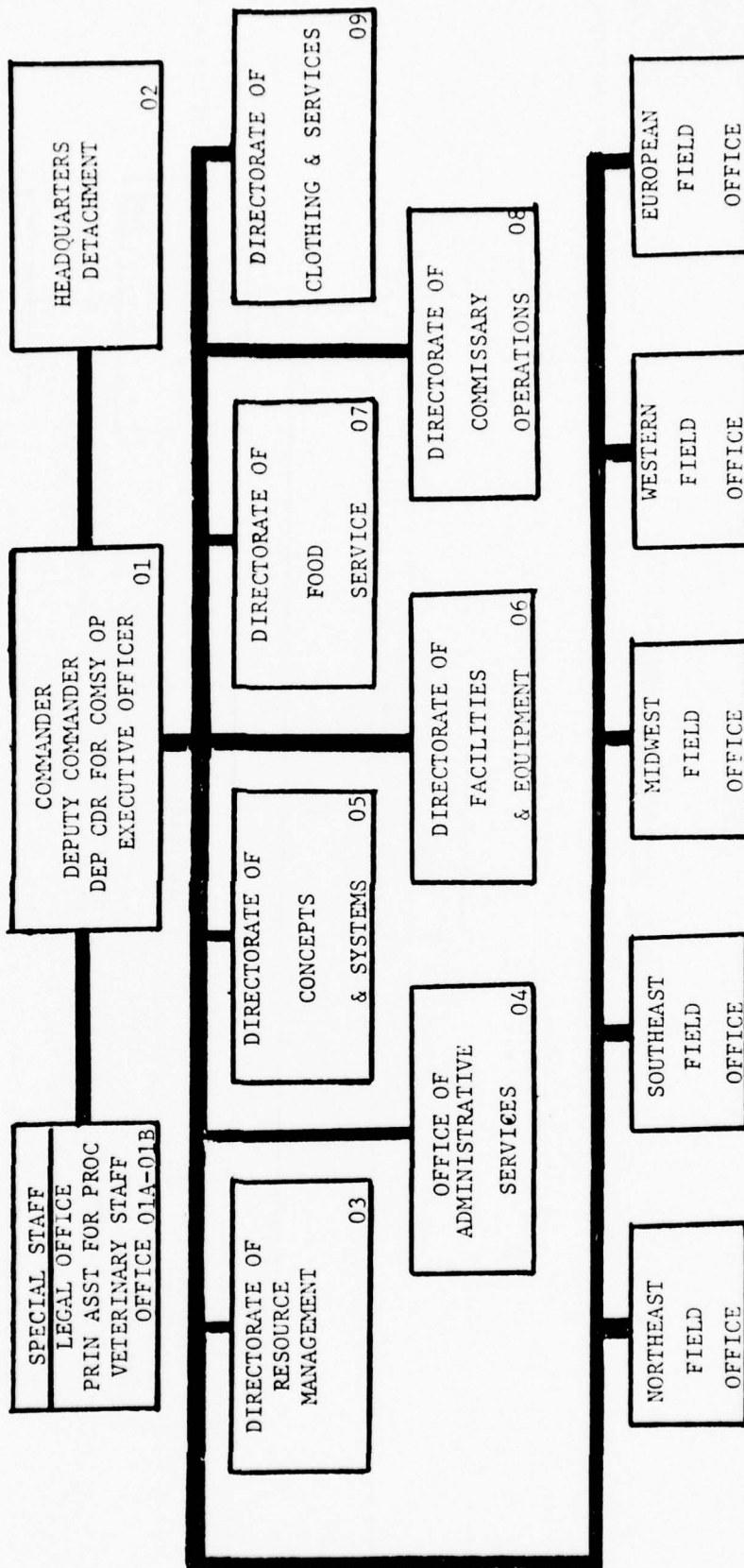


FIGURE 3

DIRECTORATE OF COMMISSARY OPERATIONS

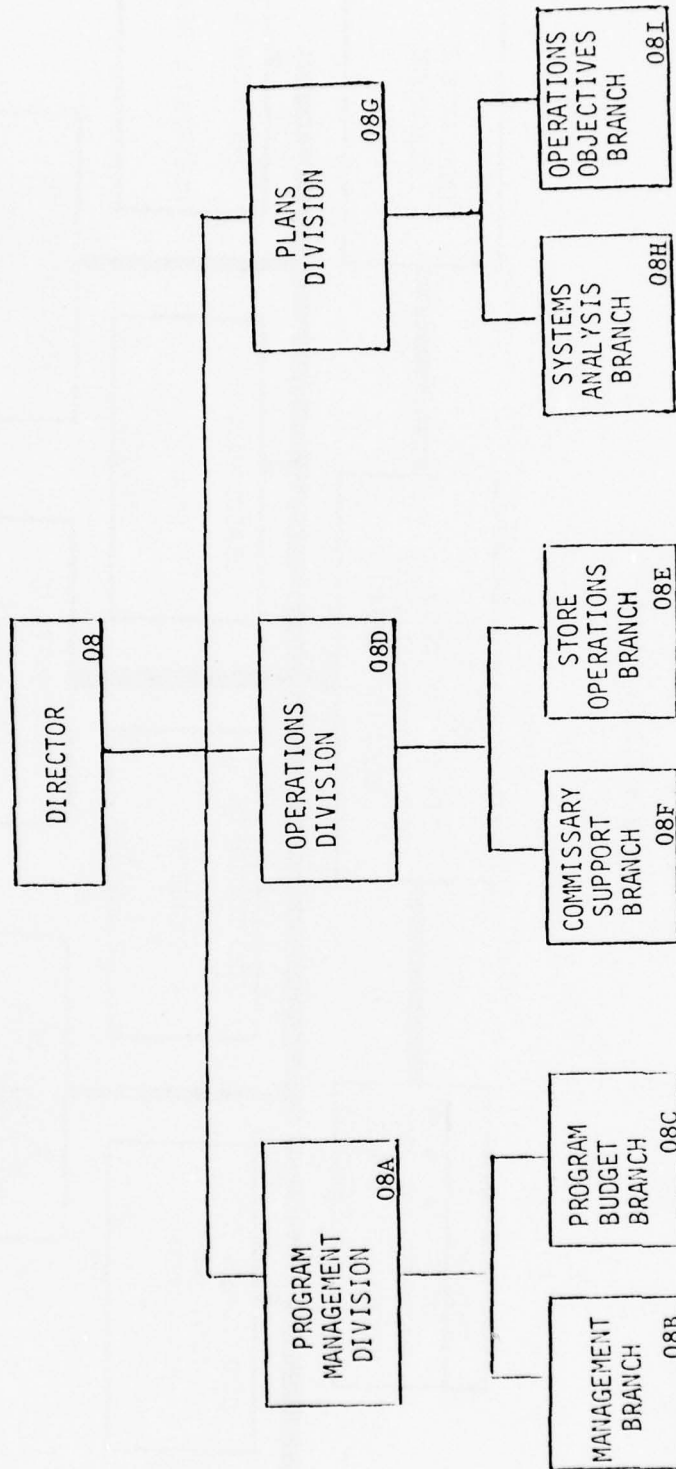
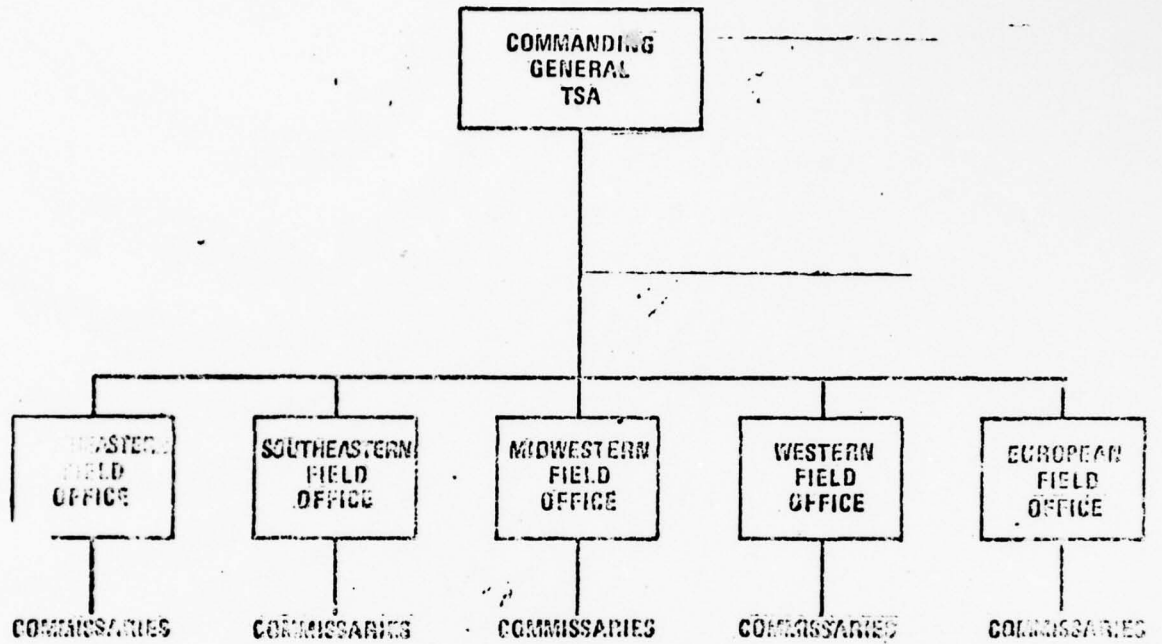


FIGURE 4

COMMISSARY REGIONAL FIELD OFFICES



11-B

APPENDIX 11-B

MERGER OF THE ARMY AND AIR FORCE CLUB SYSTEMS

1. General.

a. The purpose of this analysis is to determine the feasibility of a merger of Army clubs with Air Force open messes and establish an Army and Air Force Club Command as an alternative for the worldwide management of the Army club system.

b. The chairman of the study group visited the Air Force Military Personnel Center, Randolph Air Force Base, Texas, during the period 27-30 June 1977. Purpose of the visit was to obtain a knowledge of the Air Force organization and its management and operation of open messes. The visit was also conducted to determine the feasibility of a merger of Army clubs with Air Force open messes into an Army and Air Force Club Command.

c. The concept of merging Army clubs and Air Force open messes was considered as a possible management alternative for operation of clubs and open messes. During a briefing on Army club management presented by the Director, CMD, TAGCEN, on 6 June 1977, a Senior Congressional Staffer, House Armed Services Committee, asked if the Army and Air Force had considered a merger of Army clubs and Air Force open messes. He was informed that the Army was currently conducting a study which would address several options for the future management of the Army club system. During the briefing, it was also indicated that the House Armed Services Committee would be conducting hearings on nonappropriated fund activities later this year which will include club and open mess operations of the various services.

2. Assumptions.

a. Appropriated fund support, to include military and civilian personnel, will be withdrawn or significantly curtailed not later than October 1980.

b. Army and Air Force appropriated fund civilians will continue to be utilized until terminated based on (1) decision regarding conversion to NAF, or; (2) withdrawal of appropriated fund support.

c. Clubs will be managed under existing and/or modified organizational structure until decision is made to merge with the Air Force into an Army and Air Force Club Command.

d. Should the decision be made to merge with the Air Force into an Army and Air Force Club Command:

(1) Assets of the Army club system and the Air Force open mess system will be transferred to the Army and Air Force Club Command.

(2) Appropriated funds will pay all severance costs of civil service personnel.

(3) Civil service personnel will be offered functional transfers as NAF employees to the Army and Air Force Club Command.

(4) Clubs and open messes will generate sufficient funds for improvement and/or construction of new facilities.

(5) The Army and Air Force Club Command will distribute a part of Class VI profits to the Army and Air Force Central Welfare Funds for redistribution to Army and Air Force installations (formula to be established).

e. Appropriated fund support for a cadre of military personnel will be authorized on either a non-reimbursable or reimbursable basis.

f. Commander of the club command will be a general officer. Assignment would rotate between the Army and Air Force.

3. Concept of Operation.

a. The Army and Air Force Club Command would be established based on the following concepts of operations:

(1) Policy guidance would be developed and promulgated as Headquarters Department of the Army and Air Force directives. The Board of Directors, Army and Air Force Exchange and Motion Picture Services, would also be assigned to preside over the Army and Air Force Club Command. Clubs and open messes would be operated as a vertical organization.

(2) Organizational structure will include an Army-Air Force-wide central headquarters with subordinate regional and area offices in CONUS, Europe, and Pacific to supervise and control installation clubs (open messes).

(3) Operate as a nonappropriated fund activity with limited appropriated fund support similar to that currently provided the Army and Air Force Exchange Service.

(4) Operate clubs (open messes) with NAF civilian managers.

(5) Military cadre at the central headquarters and regions would be authorized (even if on a reimbursable basis).

(6) Develop and install a management information and accounting system for clubs (open messes).

(7) Develop and install a NAF civilian career program and centrally manage NAF civilians under a system similar to that as currently used by the Army and Air Force Exchange Service.

(8) Assess current club management and open mess training programs and effect improvements and consolidations.

(9) Determine the organizational structure of the club command from headquarters to individual clubs; determine the need for each and close those activities that are not needed.

(10) Installation and base support would continue to be provided to clubs, e.g., security, communication, etc.

b. Merger would be accomplished in phases:

(1) Phase I--An Army and Air Force Task Force would be established to develop a detailed plan for the organization, staffing, accounting system, management information system, cost/benefit analysis, time phasing, and other areas, as applicable.

(2) Phase II--Staffing of plan with Army and Air Force and development and subsequent staffing of resultant changes.

(3) Phase III--Implementation of approved plan.

4. Management and Administration of the Army Club System.

a. Under the General Staff supervision of the Deputy Chief of Staff for Personnel, The Adjutant General has Department of the Army staff responsibility for Army clubs worldwide. The Club Management Directorate, The Adjutant General Center (CMD, TAGCEN), determines objectives, policies, and procedures for the supervision, control, and operation of Army clubs, and provides technical direction, financial, and executive management of Army club operations worldwide.

b. Major commanders (MACOM's) have command supervision over installation, area, and community commanders and allocate authorized personnel and material resources required for successful operation of clubs. Major commanders and installation commanders are not staffed to provide technical guidance and assistance in club matters. This technical support is provided by CMD, TAGCEN.

c. Installation commanders have operational control of their club systems, establish authorized positions, provide clubs with authorized personnel, and material resources, and monitor and direct club operations

in consonance with AR 230-60 (The Management and Administration of the US Army Club System) and other applicable directives.

d. MACOM's have, by design, been removed from day-to-day involvement in club operations. The Army club management system provides for installation commanders to operate Army clubs under the technical supervision of CMD, TAGCEN. TAGCEN serves as an extension to both MACOM and installation headquarters staffs and keeps each fully informed as to the operational and financial progress of each installation club system. Advice is provided when needed or when requested; direction is also provided when warranted. A major advantage of the current system is that it does not require daily MACOM involvement with clubs, thus leaving more time for other mission essential requirements.

e. The concept of the system is that installation commanders operate clubs within Army regulations and within appropriated fund resources provided by their MACOM and nonappropriated funds generated by club activities. Clubs are to be organized and operated as defined by AR 230-60, which does by design provide for much standardization. TAG is responsible to DCSPER for control of the Army club system and to provide major and installation commanders information on the financial and operating status of clubs. CMD, TAGCEN technical training and management assistance teams provide onsite assistance to commanders and their club staffs and make recommendations for improvement of club operations. In those instances when repeated deficiencies occur, ODCSPER/TAG directs corrective action.

f. The Installation Club Manager (ICM), under the supervision of the installation DPCA/DCSPER, is responsible for supervision of the installation club system, i.e., officers' branch, NCO/enlisted branch, package beverage branch (where authorized), and administrative branch (where established).

g. The Comptroller of the Army (COA), through his staff at the US Army Finance and Accounting Center (USAFAC), is responsible for appropriated fund accounting functions for NAFI's, including clubs, in accordance with DODI 7000.12 and is responsible for NAF accounting procedures. USAFAC is the proponent for AR 230-65 which prescribes NAF accounting procedures and establishes a chart of accounts for use by all NAFI's, including clubs. Financial analysis of NAFI's is the responsibility of the program manager and management personnel at each level of command. USAFAC, through the installation comptroller, provides technical supervision over operations of the installation Finance and Accounting Officer (F&AO). The installation F&AO, under the staff supervision of the installation comptroller, is assigned responsibility for direct supervision of the Central Accounting Office (CAO) which is an organization established to provide centralized professional bookkeeping and accounting services to clubs and other NAFI's located on the installation.

h. Clubs are audited by the US Army Audit Agency (USAAA) and by certified public accounting firms under contract with the Army Club Fund. Audit recommendations are directed for corrective action in accordance with paragraph 7, AR 230-7. All levels of command are required to direct compliance with audit recommendations when appropriate action has not been taken.

i. The USAREUR Class VI Agency functions as a locker fund in accordance with policies outlined in AR 210-65 as supplemented by the Commander in Chief, United States Army Europe (USAREUR). This agency is not a part of the Army club system. However, the agency is charged to contribute to the assessment based on the procedures outlined below.

j. Clubs and the USAREUR Class VI Agency are assessed to pay the cost of CMD civilian employees and related expenses. The assessment system prorates total required annual operating costs to installation club systems by major geographical areas on the basis of the number and percentage of bottles of alcoholic beverages sold in retail package stores, USAREUR Class VI stores and clubs combined. The resulting assessed costs are divided by retail dollar sales of the area concerned to determine the assessment rates.

5. Management and Administration of the Air Force Open Mess System.

a. Air Force Regulation 215-1, Volume XI, 23 September 1974 (currently being revised) provides policies and procedures for the establishment, administration, operation, and dissolution of Air Force open messes. AFR 34-3, Volumes I, II, VI, and X, provides policy governing appropriated fund support for open messes. AFR 176-10 (currently being revised) provides NAF accounting policies and procedures.

b. Air Force open messes are operated as an integral part of the Morale, Welfare, and Recreation program (MWR) at each organizational level from Department of the Air Force to the installation. The management and administration of open messes is accomplished through the chain of command.

c. Overall policy direction of Air Force NAFI's, including open messes, is the responsibility of the Air Force Welfare Board (AFWB).

d. At Headquarters, USAF:

(1) The Deputy Chief of Staff, Personnel (DCS/DP), through the Directorate of Morale, Welfare, and Recreation (MWR), the Air Force Military Personnel Center (AFMPC) is responsible for publishing broad policies in appropriate directives and implementing these policies at HQ USAF level, and is assigned Air Staff responsibilities for the Air Force Morale, Welfare, and Recreation program. The Director, MWR Directorate, is assigned responsibilities as follows:

- (a) Manages the open mess program.
- (b) Provides staff assistance to open messes when requested by the major commanders (MAJCOM's) or as determined required when financial or management problems are detected.
- (c) Performs assistance visits to a selected number of MAJCOM's and open messes annually.
- (d) Performs Air Force-wide surveillance of AF MWR financial management.
- (e) Prepares and develops procedures which implement HQ USAF/ACF, accounting and reporting policies and ensures integrity in employment of NAF's.
- (f) Develops AF budgeting policies and procedures for NAF's.
- (g) Receives and reviews AF consolidated NAF financial data prepared by AFAFC/TCRN and performs financial analyses required to monitor MWR operations.
- (h) Ensures accurate, timely submission of MAJCOM financial data to AFAFC/TCRN.
- (i) Establishes the financial management requirements for the NAF system.
- (j) Manages the civilian audit program for AF NAFI's in coordination with the Air Force Audit Agency.
- (k) Provides financial information to HQ USAF/ACB to support OSD requirements for the DOD budgetary process.
- (1) Forwards the annual MWR Financial Report, RCS: DD-M(A)1344, to OASD(M&RA).
- (2) The Air Force Accounting and Finance Center (AFAFC) is assigned responsibilities as follows:
 - (a) Prescribes AF accounting and reporting policies for nonappropriated funds and related appropriated resources.
 - (b) Devises accounting systems for NAF to satisfy the needs of MWR management and to comply with applicable accounting policies.
 - (c) In conjunction with AFMPC and AFDSDC, develops, tests, evaluates, and installs accounting systems for NAF's.

(d) Receive and consolidates MAJCOM financial data, performing audits, and examinations to ensure consistency and compatability with accounting systems guidance.

(e) Submits accurate, timely financial reports, and analyses to AFMPC, the AF Comptroller, (OASD(M&RA), Army and Air Force Civilian Welfare Fund, Air Force Welfare Board, and others as required.

(3) The Directorate of Procurement Policy, HQ USAF/LGP, is responsible for the formulation and issuances of NAF procurement policies and procedures promulgating Air Force Welfare Board overall policies relating to NAFI's. MAJCOM Directors of Procurement are responsible for the accomplishment of NAF procurements made by NAFI custodians and their designees.

e. Major commanders (MAJCOM's) are responsible for the supervision of open messes in their commands. Staff responsibility for open messes is assigned to the DCS, Personnel. The DCS, Personnel supervises the establishment, administration, operation, and dissolution of all open messes at installations within their commands. This includes financial management; conducting staff visits to open messes to provide assistance and guidance to installation commanders and open mess managers; ensuring compliance with applicable Air Force regulations; disapproving any act of installation commanders or advisory councils concerning open messes which are not in the best interest of the Air Force or violate existing directives; requiring reports, as determined necessary for command supervision of open messes; conducting annual conferences or seminars for management personnel; monitoring base level training programs for open mess employees; ensuring the investment of unrestricted cash of open messes to provide funds for programed improvements of facilities and its operation; reviewing open mess budgets for adequacy and tracking results against budgets.

f. Under the supervision of their intermediate headquarters and MAJCOM's, installation commanders, through their Chief, MWR Division, are assigned responsibility for supervision and operation of open messes. The Nonappropriated Fund Financial Management Officer (NAFFMO) is designated as the custodian of all installation NAFI's (except for base restaurants and civilian welfare funds). The NAFFMO may delegate certain custodial authority, such as control and safekeeping of assets, to the MWR managers. The NAFFMO:

(1) Collects, records, summarizes, and analyzes NAF financial data. Also, analyses appropriated fund financial data supplied by base accounting and finance officers, and corrects data when appropriate.

(2) Performs professional accounting and bookkeeping functions for the branches serviced.

- (3) Maintains accounts receivable subsidiary records.
- (4) Maintains stock record cards for storeroom accounts.
- (5) Performs periodic professional review of management procedures, practices, and internal controls in the MWR branches, including the NAFFMB.
- (6) Prepares operating instructions for cash handling procedures.
- (7) Acts as financial advisor to branch managers to assist in maintaining integrity of funds.
- (8) Provides timely, accurate financial data to operating branches, billeting/other managers, NAF's Council, Base Restaurant Fund Council, and Base Civilian Welfare Fund Council as appropriate. The NAFFMO also prepares agenda, minutes, and briefings for the NAF's Council. Agenda, minutes, and briefings for base restaurants fund, and civilian welfare funds are prepared by their respective custodians.
- (9) Prepares inventory lists for all required inventories and prices and extends inventories taken.
- (10) Prepares procurement documents and files them in a contract file to support procurement action taken.
- (11) Provides timely, accurate financial data as required by higher echelons of command.

g. The Open Mess Manager is directly responsible for the management and operation of the open mess. Open Mess Advisory Committees represent the general membership by functioning in an advisory capacity to the installation commander.

h. The USAFE Class VI Fund is established under the provisions of AFR 34-3, Volume V, and is designated as a resale-revenue sharing fund. The responsibility for the management and administration of this fund is assigned to the Commander-in-Chief, USAFE. The fund is not a part of the open mess management program.

i. Open messes are audited by the Air Force Audit Agency and commercial accounting firms. Audit reports are processed through command channels.

j. Open messes may be assessed by the Air Force Central Membership Association Fund and/or MAJCOM membership association funds to provide income for the Air Force and/or command open mess programs. Assessments on open messes by MAJCOM cannot exceed 3 percent of the open mess gross income, including membership dues.

6. Discussion and Analysis.

a. Although there are many similarities in the Army club system and Air Force Open Mess Management program, different structures for budgeting, accounting, funding, maintenance of records, and reporting have evolved within the two services. While Army clubs and Air Force open messes operational functions are compatible, many major differences exist in management philosophy, internal organizational structures and mode of operation at both headquarters and field levels.

b. The Air Force open messes are managed and administered by the installation commander under the supervision of higher echelons of command. Open messes are managed as a part of the MWR program under a single MWR manager concept. The implementation of this concept was recently completed resulting in major organizational changes and realignment of functions at headquarters and field levels. The realignment of functions reassigned the accounting and financial management functions from the comptroller to the MWR program manager at each level of command. The comptroller was previously responsible for NAF financial management. The Fiscal Control Office, previously responsible for NAF accounting at installation level, has been replaced by the Nonappropriated Fund Financial Management Branch (NAFFMB) and functions under the direct supervision of the Chief, MWR Division. Nonappropriated fund accounting policies and procedures have been revised. Additionally, the evaluation and testing of a NAF management information system is being conducted. In essence, the Air Force has completely implemented the management of MWR functions under the single manager concept. Accordingly, this mitigates against the establishment of a vertical Army and Air Force command for clubs and open messes unless the command was assigned responsibility for all MWR functions.

c. Army club management has been under the gun since 1969. This visibility and recommendations from Congress, DOD, Secretary of the Army, Chief and Vice Chief of Staff, Army, have resulted in several organizational realignments and have caused considerable organizational turbulence. Clubs were managed in the pre 1969 era on a decentralized basis somewhat as currently used by the Air Force for open messes. The control and management of clubs under decentralization proved ineffective and got the Army into trouble. The CONARC Study (1970), Booz-Allen & Hamilton Study (1971), and TAG Club Management Study (1975) established problems inherent with management of clubs and each recommended an integrated management structure to improve efficiency and effectiveness of the Army club system; upgrade DA's capabilities to coordinate and control club's activities; take full advantage of personnel space savings that could be accomplished via centralization of accounting, personnel, procurement, technical training, and management assistance, and standardization of procedures and management systems. Integration of management of the Army club system is progressing through an evolutionary process and is ongoing.

d. The merger of Army clubs with Air Force open messes into an Army and Air Force Club Command would accomplish the goal of integrated management of the Army club system. A merger of the Army club system would have less organizational impact on other Army morale support activities/ programs (MSA) than that which would be experienced by the Air Force since the Army does not utilize the "single manager" concept for its morale support activities. The Morale Support Organization and Management Study (a TAGCEN study completed on 11 June 1976) recommended adoption of such a concept to integrate planning and control of the various morale support activities at all Army levels of command. The recommendation, if adopted, would have placed recreation services, the Army club system, nonappropriated fund instrumentalities and certain private organizations under a "single manager." Although staffed with MACOM's, the study recommendations have not been implemented on Army installations and at most major Army headquarters.

e. The feasibility and cost savings of the establishment of a separate Army and Air Force Club Command cannot be determined without further detailed study. It appears that such a command could, however, provide a unified organization; have a single mission; provide economies of centralization and cost avoidance potentials. It could be established using the current Army club system organizational structure as a base. However, it would break the continuity of club and open mess management programs and operations for both the Army and the Air Force. Additionally, it could involve significant personnel turbulence and initial costs.

f. A viable Army and Air Force Club Command would be contingent on the successful development and implementation of automated systems, operating and accounting procedures. Currently, both the Army and the Air Force are in a transitional stage in the development and implementation of management information systems and accounting procedures. Significant differences in systems exist which would necessitate major modifications or development of completely different systems and procedures if a merger were effected. The costs therefore cannot be determined without further study.

g. The merger of clubs and open messes into an Army and Air Force Club Command would relieve major and installation commanders of an administrative burden. This could also pose difficult obstacles to the creation of such a command since some commanders may resent the club and open messes being removed from their direct control. If the merger were effected without the support of major and installation commanders, it could impact adversely on indirect support provided for club and open mess operations at the operating level.

h. Both the Army and Air Force are encountering problems in the recruitment and retention of qualified club and open mess managers. Both have developed and implemented training programs to improve the professionalism of managerial and operating personnel. The Air Force currently uses officers, noncommissioned officers, and appropriated fund civilians (GS) as club managers. (The Air Force does not use an Installation Club Manager since open mess operations are supervised by the Chief, MWR Division.) The Army currently uses officers, warrant officers, noncommissioned officers, appropriated fund civilians (GS), nonappropriated fund civilians (UA), and local national civilians (LN) as club managers. An Installation/Area Club Manager (officer or appropriated fund civilian) supervises the operations of the installation/area club system. Both the Army and Air Force have experienced difficulties in the professional development of club management and open mess officers. The Air Force is currently considering replacing open mess managers (officers) in officers' open messes with noncommissioned officers and appropriated fund civilian employees. The DCSPER, HQDA, is currently conducting a study of the feasibility of maximum civilianization of installation club system managerial positions. Additionally, the conversion of club management warrant officer positions to civilian positions is also being considered as a separate action.

i. Current authorizations (as of 30 June 1977) for Air Force open mess and the Army club system managerial personnel are shown in Table I below.

TABLE I
CLUB AND OPEN MESS PERSONNEL AUTHORIZATIONS

<u>Category</u>	<u>Air Force</u>	<u>Army</u>
Officers	78	194
Warrant Officers	0	70
Noncommissioned Officers	643	655
GS Civilians	114	117

j. The Air Force currently employs approximately 20,766 NAF civilians in its open mess management system. The Army currently employs approximately 19,000 NAF civilians in the Army club system. Most of the NAF civilians are employed at the operating level (branches and annexes) in non-managerial positions.

k. The number of branches in the Air Force Open Mess and branches (funds) in the Army club system as of 30 June 1977 are shown in Table 2 below:

TABLE 2

CLUB AND OPEN MESS BRANCHES (FUNDS)

<u>Category</u>	<u>Air Force</u>	<u>Army</u>
Officers	118	133
NCO/Enlisted/Airmen	175	122
Consolidated	59*	16
Package Beverage	<u>105</u>	<u>71</u>
TOTAL	457	342

*NOTE: Consolidated open messes include single buildings (44) and separate buildings (14). Of the 44 consolidated open messes located in single buildings, 80 percent are located at installations/sites that have less than 10 officers assigned.

l. The Air Force philosophy of budgeting states that the open mess must be self-sustaining with regard to NAF expenditures over any 12-month period. The amount of net earnings necessary to meet known requirements is defined in the budgets and can be expected to vary from one open mess to another. For this reason, the Air Force and MAJCOM's do not prescribe a uniform net earnings objective or even a standard set of cost to sales objectives. Army regulations require the ICM to establish a net income objective (after depreciation) to be achieved by each branch manager during the ensuing fiscal year. The annual profit objective is prorated over a 12-month period and is the equivalent to the greater of the following: (1) an amount sufficient to provide for capital improvements, long-term loan repayments, required working capital and other approved programs in addition to normal operating expenses, or (2) 5 percent of sales revenues. The Army also provides cost to sales percentage guidelines.

m. The financial performance of Air Force open messes is reflected in Figures 1 and 2. The financial performance of Army clubs is reflected in Figure 3. As of 30 March 1977, 118 Air Force open messes (branches) were unprofitable (33.3%) and 79 Army clubs (branches) were unprofitable (29.2%).

n. Both the Army and Air Force have a centralized investment program (CIP) for the investment of excess club and open mess cash. CIP participation is voluntary for both clubs and open messes.

o. The Air Force has implemented a Centralized Banking Program (CBP) for open messes and other NAFI's. The CBP is a pooling of resources conceived to allow full utilization of cash. CBP accounts function as demand or checking accounts, but are interest bearing. Participation in the CBP is mandatory for all open messes. Field banks, normally located on base, are the depositories for the CBP. If there is no bank on the installation, a local bank is designated as a field bank. Each NAFI is assigned a CBP account code. Monies deposited in the field bank belong to the CBP of the Air Force Central Welfare Fund (AFCWF). NAFI claims are against the AFCWF rather than the field bank. Checks are written on the CBP account. Open messes are provided prenumbered checks at the expense of the AFCWF. Checks may be signed by the custodian (normally the NAFFMO) or his designee. Checks in amounts over \$10,000 must be countersigned. The Army does not have a centralized banking program for Army clubs.

p. The Air Force Welfare Board has approved development of a mechanized system that will include most of the accounting and reporting needs of MWR. Alternatives to the current Burroughs 3500 base computer are being studied to see if dedicated equipment can be more responsive to management and more cost effective. A thorough study of the workload to be mechanized has been made, and the results are being compiled. The system to be developed is intended to include applications for accounts receivable, inventory control, payroll, property accountability, accounts payable, cash reconciliation, general ledger, financial statements and reports, and specified analyses. As an interim solution for overcoming some pressing needs for mechanization, particularly for maintenance of accounts receivable and inventory, dedicated equipment has been installed at 28 locations. Significant personnel savings have been produced at those locations. Further savings are anticipated when total system is implemented.

q. A mechanized accounting system for Army clubs has been developed and is expected to be proliferated for implementation Army-wide on or about September 1977. The system will use existing BASEOPS computers. A follow-on management information system for Army clubs must be developed since it was not included in the mechanized accounting system. The implementation of the mechanized accounting system is expected to result in personnel savings and reduce club accounting costs; however, definitive personnel and cost savings have not been determined.

r. Both the Army and the Air Force have implemented centralized NAF procurement programs. The use of these programs has resulted in cost savings for Army clubs and Air Force MWR activities, including open messes. The Army NAF centralized procurement program includes construction. In the Air Force, NAF construction is procured by the servicing appropriated fund procurement office. The Air Force Non-appropriated Fund Procurement Office (AFNAFPO) negotiates centralized contracts with manufacturers, procures Individual Support Nonappropriated Procurement (I-SNAP) items, and purchases selected source interior design

requirements directly from manufacturers. The ISNAP program consists of selected items of equipment such as airplanes, automobiles, furniture, and furnishings which are mandatory for centralized purchasing. Interior design services, including kitchen layout, are accomplished by the Programs Branch (Interior Design) in the Directorate of Morale, Welfare, and Recreation, Air Force Military Personnel Center, Randolph Air Force Base, Texas, and MAJCOM interior designers.

s. The Army and Air Force provide loans to clubs and open messes for renovation and new construction. Currently, the Army does not give grants to clubs even if they do not have the ability to repay a loan. The Air Forces does provide grants under certain conditions (see Volume IV, AFR 34-3).

t. The Air Force open mess management objectives for FY 78 are as shown on Figure 4. The Army club management objectives (goals) for FY 77-78 are as shown on Figure 5.

7. Advantages and Disadvantages.

a. Advantages.

(1) Could result in a reduction in appropriated fund resources now required for the operation and management of the Air Force Open Mess and Army club systems to include military personnel.

(2) Would provide a unified command for club management.

(3) Would achieve standardization and uniformity in policies and procedures.

(4) Could result in increased economies in administration, accounting, procurement, payroll, data systems, cash management, etc.

(5) Would increase centralization of clubs (which are commercial type operations) under a single organization.

(6) Would reduce personnel turbulence in the assignment and utilization of military club managers.

(7) Would relieve installation and major commanders of an additional administrative burden.

(8) Would provide greater continuity (in the long-range) of club and open mess operations and programs.

(9) Would reduce the problems involved in the professional development of military club managers, i.e., officers, warrant officers, and noncommissioned officers.

(10) Would increase management's capability and responsiveness in decision making and problem solving.

(11) Would provide increased career opportunities for NAF civilian personnel, particularly with the development of a NAF civilian career enhancement program jointly for Army and Air Force club management personnel.

(12) Would eliminate organizational fragmentation.

(13) Could provide greater flexibility in the management of NAF civilian personnel.

b. Disadvantages.

(1) Would create tremendous organizational turbulence, particularly for the Air Force.

(2) Would initially break the continuity of club and open mess operations.

(3) Could result in high initial establishment costs.

(4) Would impact adversely on other morale, welfare, and recreation activities and functions.

(5) Would result in initial personnel turbulence.

(6) Could encounter resistance from installation and major commanders concerning their loss of direct control over clubs and open messes.

(7) Could result in adverse reactions from club and open mess membership concerning loss of "their club."

(8) Could require major revisions in current (or planned) accounting and management information systems or the development of new systems for either one or both services.

(9) Could result in a loss of experienced civilian club and open mess management personnel.

(10) Could result in a reduction of installation support for club and open mess operations.

(11) Could result in increased visibility by Congress and private interest groups of club and open mess operations.

(12) Would encounter military staffing problems for key positions particularly in obtaining general officer authorizations.

(13) Could encounter problems (violation of intent--use military personnel in hard programs) in the use of military personnel on a reimbursable basis if all appropriated funds for clubs and open messes are eliminated.

(14) Would provoke problems in the establishment of a viable incentive and career management program for NAF civilians.

8. Conclusions.

a. The merger of the Army club and Air Force open mess systems into an Army and Air Force Club Command is not considered a viable alternative for the short, mid, and long-range management of Army clubs.

b. The establishment of an Army and Air Force Club Command in the extended long-range (1983 or later) could be feasible; however, a detailed study would be required at that time to make a determination.

9. Recommendation. That the establishment of an Army and Air Force Club Command not be considered as a viable option at this time.

FIGURE 1

FINANCIAL PERFORMANCE (Millions) USAF OPEN MESSES

	<u>CY 71</u>	<u>CY 72</u>	<u>CY 73</u>	<u>CY 74</u>	<u>*FY 75</u>	<u>FY 76</u>
Open Messes	462	439	411	400	378	353
Number of Losers	53	68	64	73	140	108
Total Income	\$ 269.7	\$ 261.0	\$ 250.3	\$ 261.9	\$ 264.6	\$ 258.0
Sales	221.6	222.5	217.1	220.8	220.5	214.5
Net Earnings	10.9	9.0	6.9	7.2	2.4	1.96
Salaries	82.7	82.4	80.2	85.2	87.4	82.0
Membership Dues	21.1	22.7	23.3	23.7	23.7	23.4
Bar Sales	72.9	70.8	67.3	67.8	66.4	63.4
Food Sales	71.9	70.3	62.3	65.4	64.0	69.4
Package Sales	57.8	63.4	62.2	65.3	66.8	66.1
Entertainment		19.1	16.6	16.8	16.6	16.0
Employees		34,061	29,467	27,262	24,633	20,766
Members	527,000	514,081	510,000	447,918	427,000	414,000
Investments		\$ 26.4	\$ 27.1	\$ 31.5	\$ 33.2	\$ 32.2
Depreciation/Amortization				5.2	5.7	5.9
FOO/CCFO/Computer				5.0	5.7	10.7
Cost of Goods				120.4	119.8	116.4

*12-month period ending September 1975

FIGURE 2
USAF OPEN MESSES SYSTEM
FINANCIAL PERFORMANCE (MILLIONS)

	<u>FY 75</u>	<u>FY 76</u>	<u>*FY 77</u>
SALES	\$229.5	\$214.5	\$197.4
ACTIVITY REVENUE	<u>44.1</u>	<u>43.5</u>	<u>21.5</u>
TOTAL INCOME	\$264.6	\$258.0	\$128.9
NET PROFITS	\$ 2.4	\$ 1.9	\$ 2.4

*AS OF 31 MAR 77

FIGURE 2 (CON'T)

USAF OPEN MESSES SYSTEM
FINANCIAL PERFORMANCE

	<u>PROFIT/(LOSS)</u>	<u>TOTAL</u>	<u>PROFITABLE</u>	<u>LOSERS</u>
OOM	\$ 694,388	118	79	39
NCOOM	1,278,254	169	113	56
AOM	219,723	6	5	1
COM/OTS	<u>169,717</u>	<u>59</u>	<u>37</u>	<u>22</u>
TOTALS	\$2,362,082	352	234	118

FIGURE 3

INFORMATION . APER

DAAG-OMO
15 Jun 77 (Rev)

SUBJECT: Army Club Management System

FACTS.

1. Officer and NCO/enlisted clubs are operated by installation commanders under the technical supervision of The Adjutant General, HQDA. Club Management Directorate, The Adjutant General Center, provides DA level executive and financial management and on-site technical training and management assistance for clubs Army-wide.

2. Management of officer and NCO/enlisted club funds is centralized at installation level under the executive control and supervision of an installation club manager. As of 31 Mar 77 there were 148 installation club systems comprised of:

	Branches (Funds)	Annexes (Club Facilities)
a. Officers	133	230
b. NCO/Enlisted	122	446
c. Consolidated	16	28
d. Package Beverage	71	125
Total	342	829

3. Operating results of clubs Army-wide for the past three fiscal years, FY 77, and 1st & 2d qtrs FY 77 were (dollar amounts are expressed in millions):

	FY 74	FY 75	FY 76	FY 77	FY 77, 1st Qtr	COMPARISON	
						Jan-Mar 77 FY 77, 2d Qtr	Jan-Mar 76 FY 76, 3d Qtr
a. Sales	\$176.6	\$201.4	\$207.9	\$54.4	\$56.8	\$50.9	\$47.5
b. Other Income	\$ 30.8	\$ 37.8	\$ 38.8	\$10.3	\$ 9.7	\$10.1	\$ 9.4
c. Total Income	\$207.4	\$239.2	\$246.7	\$64.7	\$66.5	\$61.0	\$56.9
d. Cost of Goods	\$ 92.0	\$105.3	\$109.5	\$28.7	\$30.2	\$26.0	\$24.7
e. Total Expenses	\$112.5	\$127.8	\$129.8	\$33.9	\$33.1	\$33.0	\$32.0
f. Net Income	\$ 2.9	\$ 6.1	\$ 7.4	\$ 2.1	\$ 3.2	\$ 2.0	\$ 0.2
	1.6%	3.0%	3.6%	3.9%	5.6%	3.9%	0.4%
g. Number of Club Branches*	308	286	289	277	273	271	283
h. Number Profitable	188	192	200	196	194	192	146
i. Number Unprofitable**	120	94	89	81	79	79	136
j. Percent Unprofitable**	39.0%	32.9%	30.8%	29.2%	28.9%	29.2%	48.1%

*Does not include Package Beverage Branches. Seasonal operations account for variations in numbers of clubs.

**Unprofitable clubs are not insolvent; their operational losses are financed from previously accumulated fund equity.

FIGURE 4

USAF OPEN MESS SYSTEM

OBJECTIVES FY 78

CONSOLIDATE AND FORMALIZE TRAINING PROGRAMS

ESTABLISH OPERATIONAL STANDARDS AND GUIDELINES

ESTABLISH AIR FORCE-WIDE PROFESSIONAL INCENTIVE PAY PROGRAM

PUBLISH PROGRAM TRAINING AIDS -- MONTHLY

STREAMLINE MANAGEMENT EFFECTIVENESS OF ACCOUNTING SYSTEM

REEVALUATE DRESS STANDARDS

PROGRAM FOR INFORMAL DINING

PUBLISH MEMBERSHIP PROMOTIONAL PROGRAM PLANNING GUIDE

PUBLISH MANAGERS PLANNING GUIDE

PUBLISH NEW OPERATIONAL DIRECTIVE (AFR 215-1, VOL XI)

FIGURE 5

ARMY CLUB MANAGEMENT

FY 77-78 GOALS

ELIMINATE SHORTAGE OF TRAINED CLUB MANAGERS

IMPROVE QUALITY OF CLUB MANAGERS

INTENSIFY TRAINING OF SERVICE PERSONNEL

IMPROVE FOOD PROGRAMS

UPGRADE CLUB FACILITIES

INCREASE ASSISTANCE IN PROCUREMENT

CONTINUE IMPROVEMENT OF CLUB FINANCIAL POSTURES

11-C

APPENDIX 11-C
CONTRACT OPERATION OF ARMY CLUB SYSTEMS

1. GENERAL

a. Paragraph 9-6, Army Regulation 230-60 provides authority for installation club systems to contract for concessionaire operation of all or part of facilities, services, and activities.

b. The Army is currently studying "contracting out" of installation support functions. Under this program civilian contractors will be solicited to perform specific post functions. Although the primary emphasis of contracting out is on appropriated fund functions (e.g., laundry and dry cleaning, motor vehicle maintenance, housing operations, and troop issue operations), nonappropriated fund activities are also being considered.

c. Contract operation of some clubs is an alternative that has been previously used by the Army, Air Force, and Navy. This chapter provides a historical summary of the contract operations of Army clubs, a brief summary of Air Force and Navy contract operation of clubs and examines the feasibility of use of commercial contracts for the Army club system in the current and future environment.

2. HISTORICAL SUMMARY ON THE OPERATION OF ARMY CLUBS BY COMMERCIAL CONTRACT.

a. Research was conducted to determine past actions by the Army regarding the operation of clubs under contractual arrangements. While records are incomplete and many have been destroyed, those available reveal that two Army clubs have been operated under contractual arrangements--The Fort Benning Officers' Club and the Fort Stewart/Hunter Airfield Officers' Club. Research further revealed that a DA directed study was conducted by Fort Riley to determine the feasibility of operating clubs by civilian contracts.

b. A summary of the Fort Benning Officers' Club operation under contractual arrangements follows:

(1) The club was operated by a management contract with the Morrison Food Service Corporation from June 1969 through July 1971.

(2) The original contract, approved by HQ, Third US Army, was effective 1 June 1969 with an annual option for renewal for up to 5 years. The contract provided for management and supervision of food and beverage operations, procurement, accounting, and training for club operating personnel. Club operating personnel continued their status as club employees. The operating conditions were established by the installation commander to include the determination of retail prices for all food and

beverage items. Morrison provided the club advice and guidance concerning retail pricing.

(3) During the first year (June 1969--June 1970) the contract operated to the mutual satisfaction of both parties at a cost to the club of \$91,371.47. The club's net profit (1969--1970) was \$75,000 which represented a significant increase from the \$18,000 loss in 1968.

(4) In July 1970, HQ, Fort Benning requested extension of the contract with the modification that club employees would be terminated and would be rehired by Morrison. HQ, Third US Army and HQ CONARC recommended approval of the modified contract. However, in view of the proposed modifications, HQDA elected to make a detailed study and evaluation of the proposed contract. In consonance therewith, a HQDA staff officer made a staff visit to Fort Benning to make an onsite evaluation and to assess the feasibility of extending the contract. Based on the assessment of that visit, it was recommended that the contract be approved. After subsequent detailed staffing within HQDA, on 4 January 1971, extension of the contract was approved. During the interim period pending HQDA's approval, Morrison continued to operate under the original contract. The DA approval of the contract stipulated that club employees (NAF) would not be terminated. This requirement was apparently unacceptable to Morrison. Accordingly, on 10 February 1971 a meeting was held between Morrison and HQDA representatives to resolve the issue. The DA representatives reiterated that the contract was approved in every respect with the exception of club employees who would have to continue their employment as NAF employees.

(5) As a result of the aforementioned meeting, on 11 March 1971, Morrison submitted four alternatives designed to transfer club employees to Morrison's payroll. The alternatives provided provisions for the protection of employees' rights and benefits in accordance with AR 230-2. Notwithstanding, the alternatives were unacceptable to HQDA. The issue remained unresolved and generated congressional interest. On 10 March 1971, a Congressional Staffer, House Armed Service Committee, was provided a written recapitulation of the circumstances pertaining to the Morrison contract and the Army's consideration of management contract operation of Army clubs.

(6) The personnel issue was not resolved to Morrison's satisfaction and the modified contract was not signed. Morrison operated under the original contract until 31 July 1971, at which time it was terminated by mutual agreement. In addition to the personnel issue, the decision was made by Fort Benning that the club could not afford to pay the management costs (\$60,000--\$100,000) plus the increased personnel cost incurred as a result of the implementation of AR 230-2.

(7) Records are not available to show the financial results of operation during the period July 1970 through December 1970. However,

available records show that the club made a profit of \$53,244.00 during the period January 1971 through June 1971.

c. A summary of the Fort Stewart/Hunter Airfield Officers' Club operation under contractual arrangements follows:

(1) The club entered into a contract with Morrison Food Service Corporation effective 1 March 1970. The contract was similar to the one negotiated by Morrison and Fort Benning except that club employees at Fort Stewart/Hunter were terminated prior to the effective date of the contract. They received all benefits in accordance with AR 230-2. Morrison rehired these same employees at the same salaries.

(2) Although Morrison controlled personnel, retail pricing of all food and beverage items was established by the installation commander.

(3) The majority of the files pertinent to the contract operation of the Fort Stewart/Hunter Officers' Club could not be located. However, a report submitted by the installation commander which contained an evaluation of the first 60 days of the contract operation reveals increased labor costs, some tangible and intangible savings, membership satisfaction and improved services. This report further revealed that the cost of monthly managerial salary was \$1,800. Additionally, management fees (based on gross sales) amounted to \$3,442.87 for March 1970 and \$2,812.90 for April 1970.

(4) Discussion with the ICM, Fort Stewart, reveals that available records show a contract termination date of 30 June 1972. However, records are unavailable to show an extension of the original contract. Records also show that the US Army Audit Agency conducted an audit of the club during the period 27 April--9 June 1972. The audit covered the period 1 July 1971--30 April 1972 and revealed a deficit of \$5,266.34. It could not be definitively determined, however, that the deficit resulted from mismanagement by the contractor. The files at Fort Stewart did not contain financial data or any other problems encountered in the contract operation. The ICM did state that declining club membership caused by reduced officer strength impacted on the club's financial ability to support a contract operation. Additionally, he further stated that the contractor had difficulties in meeting protocol requirements.

d. The Army has considered operating clubs by contract. In December 1969, the CSA directed HQ, CONARC to conduct a test at Fort Riley for the operation of clubs by contract. In consonance therewith, Fort Riley conducted a study to determine the feasibility of contract operations of its clubs. The study concluded that although contract management operation may be beneficial in providing management expertise, the clubs at Fort Riley could not afford the arrangement. Additionally, it was concluded that unless there was a guarantee of net profit, the clubs would not have been able to pay the management fees proposed by the civilian firms. Consequently, it was recommended that Fort Riley not be required

to conduct a test of contract club operations. This recommendation was approved by HQDA. However, since contract operation had proven somewhat successful at Fort Benning during its first year, it was decided the Army would develop additional experience with this form of management for clubs in CONUS. Accordingly, a DA message was dispatched to CONUS MACOM's informing them that requests for management contracts for clubs would be considered. There are no records, however, to show that any additional requests were submitted to DA.

3. CONTRACT OPERATIONS OF AIR FORCE AND NAVY CLUBS. Coordination with the Air Force and Navy reveals that contract operations of their clubs have not proven successful. They have encountered problems which have resulted in the early termination of some contracts. In one case the contractor could not satisfy the base commander. There was low membership participation. Also, a high degree of turbulence in contractor's management was experienced. A 1-year contract was terminated after only 3 months of operation. In another case, the club members paid higher prices under contract operations and operating losses were encountered. Both Air Force and Navy officials did not express great satisfaction with the results of club operations under previous commercial contracts.

4. ANALYSIS OF PREVIOUS CLUB CONTRACT OPERATIONS.

a. The provisions of the contracts with Morrison for club operations at Fort Benning and Fort Stewart resulted in the installation commanders retaining tight control over club operations. In essence, the contractor was responsible for club management and operation but was not given the authority considered necessary to efficiently manage and operate the clubs. The study group considers this a major deficiency.

b. Although the Morrison Food Services Corporation had considerable experience and expertise in the operations of cafeterias, school dining halls, hospital kitchens and country clubs, it was inexperienced in the operation of military clubs. It appears that Morrison did not cope well with the idiosyncracies of military club operations in a bureaucratic environment.

c. The use of military managers, in addition to contract management personnel, continued during the period of contract operations. This caused a problem as there was not a definitive assignment of responsibilities to the military that always had apparent authority. Additionally, no savings in military personnel were achieved.

d. The imposition of restriction (AR 230-2) by the Army on Morrison pertaining to employee's salaries and fringe benefits resulted in higher labor costs to Morrison than those it was experiencing for the civilian sector.

e. In some instances, the terms and conditions for operations under the contract were not carefully defined. Ambiguous statements and

conflicting requirements caused confusion, legal complications, disputes and eventually contract termination.

f. Financial results of contract operations at the two installations indicate that contractual operations of Army clubs may be a feasible course of action for some clubs.

5. CONTRACT CLUB OPERATIONS IN THE CURRENT AND FUTURE ENVIRONMENT.

a. The past experience of the services with contract operations of clubs reveals the management type contract has left much to be desired. It is doubtful that a contractor would be willing to operate the clubs under current restrictions imposed by service directives and installation commanders. The contractor would probably insist on a virtually autonomous contract under which he/she would provide complete club operations. In this respect, the keys and club facilities would be turned over to the contractor and he/she would be given full responsibility for club operations, within mutually established guidelines as delineated in the contract. The club operation would be monitored by the installation commander and HQDA in accordance with procedures outlined in the contract.

b. If an autonomous contract operation were to be utilized, current club employees would be terminated as NAF employees. Employees would be entitled to all benefits and rights in accordance with AR 230-2. Subsequently, the contractor would be responsible for the recruitment, training, utilization, and pay of employees. Employees would in all respects be employees of the contractor.

c. In defining the scope of the contract, the study group would exclude the operation of the package beverage branch. This branch should continue to be operated by the Army since it is operated with nonappropriated fund personnel (in most cases) and is achieving its operating objectives.

d. Contractor will be required to comply with the various laws (local, state, and Federal) applicable to a concessionaire operation on a military installation. Payment of State Sales and Use Tax will be required (4 U.S.C. 105).

e. A lead time of six months or more would be required for submission of bids by commercial firms, evaluation and analysis of bids, preparation and processing of contract, termination of NAF employees, and other actions involved in transferring club operations to the contractor.

f. The worldwide contract operation of clubs is not considered practical because of multiple locations, size, market availability, and other factors. It is doubtful that commercial firms would engage in club contract operations at locations where the potential for a profitable return is limited. Therefore, the Army would by necessity be required to supervise and control these clubs not operated by contracts under a

separate management structure. Also, commercial firms would probably have little interest in club contract operations in various locations overseas. Additionally, contracts would probably be required with more than one contractor for CONUS-wide club management. The study group reservations are supported by findings of the DOD Study of Military Commissary Stores (Chapter 9, Volume 1, May 1975) regarding contract operation of commissaries. Also, the study group's contacts with one of the large leading food services and one of the medium hospitality chains reaffirmed the study group's reservations.

g. Club contract operations may be feasible in a peace time environment; however, it is doubtful that such operations could be effectively and efficiently conducted under hostilities or combat conditions. The contractor could encounter insurmountable problems in maintaining a work force in a hostile environment since many civilian employees may terminate their employment. Problems could be encountered with large scale civilian evacuation, mobility, rear area protection, absenteeism, enforcement of contracts, civilian status as a noncombatant, discipline, and other legal and international matters. Given these considerations, the use of contractors for clubs during hostilities and war is not considered feasible. Consequently, to provide for mobilization and conduct of club operations during combat conditions, the continued use of some military personnel in club operations during peace time would be necessary. Military positions so retained would provide a start up work force and a sustaining base for operations of clubs during hostilities.

6. COST/BENEFIT ANALYSIS.

a. A detailed cost comparison of club contract operation versus the Army operating clubs has not been included. This is because the study group does not consider club contract operation to be a practical alternative for the worldwide management and operation of the Army club system.

b. Obviously, dependent upon the types and numbers of club systems operated under contracts, military and appropriated fund civilian spaces could be reduced accordingly. The study group estimates that 41 percent of the club systems in CONUS are potential candidates for contract operations. This percentage is based on the number of clubs whose locations, size, market availability, financial posture, and other factors are such that commercial firms would engage in contract operations. If all were contracted out, an estimated reduction of 233 military personnel and 61 appropriated fund civilian personnel could be achieved.

c. Contracting out would also impact on staffing requirements for installation CAO, CPO, and centralized procurement. Club functions would be withdrawn and transferred to the contractor. This could result in reduced NAF staffing and/or higher costs for other installation NAFI's as the residual operating costs of these centralized services would be prorated to the other NAFI's.

d. Dependent upon the extent and types of contract, the Army club system could incur considerable one-time employee termination costs (i.e., severance pay, terminal leave) if employees were not given continuing NAF employment or refused offers of employment that were less than comparable with their present positions. In the absence of available data on NAF employees by installations, the estimated cost of employees' termination could not be computed.

7. ADVANTAGES AND DISADVANTAGES OF CONTRACT OPERATIONS.

a. Advantages.

(1) Reduction in appropriated fund resources to include military and civilian personnel.

(2) Could increase professional management in all facets of club operations.

(3) Increased stability of management personnel.

(4) Increased continuity of club operations as a result of reduced personnel turbulence.

b. Disadvantages.

(1) Significant one-time costs to terminate NAF employees.

(2) Initial personnel turbulence.

(3) Possible loss of experienced civilian club managers through resignation, retirement and/or reassignment to other NAF and civil service jobs who will still be needed by the Army club system.

(4) Possible high costs for club membership and patrons.

(5) Would not provide for Army-wide operation of the Army club system.

(6) Would require continuance of a military club system for overseas club operations and CONUS clubs which are not contract operated.

(7) Could not operate effectively and efficiently during hostilities and combat conditions.

(8) Could result in adverse congressional and union reactions regarding the elimination of civilian positions.

(9) Could result in almost insurmountable problems in early termination of contracts or failure of contracts to be renewed.

8. CONCLUSIONS.

a. Contract operations of Army clubs is not a feasible alternative for the Army-wide management of the Army club system.

b. Contract operations of some Army clubs in CONUS may be feasible but would have to be determined on a case by case basis.

c. In those cases in which contracting out has been determined to be cost-effective for club operations, the contractor should be given an autonomous contract in lieu of the management type contract.

d. Unless unusual circumstances exist which would warrant contract operation of the package beverage branch, this branch should be excluded from the contract.

e. Contracting out of specific club functions (i.e., accounts receivable, accounts payable, payrolls) should be carefully considered and utilized in those instances in which such use is more cost-effective.

9. RECOMMENDATIONS.

a. Contracting out of club operations be utilized on a case by case basis when feasibility studies indicate it to be the most cost-effective method of management of the installation club system.

b. The package beverage branch be excluded from contract operations.

c. Consideration be given to contracting out specific club functions such as, accounts receivables, accounts payable, and payrolls, when feasibility studies and cost benefit analysis indicate this is most cost-effective.

11-D

APPENDIX 11-D

MERGER OF THE ARMY CLUB SYSTEM WITH AAFES

1. General.

a. An alternative for the worldwide management of the Army club system is to merge with AAFES. The purpose of this study is to determine the feasibility of such a merger.

b. The study group visited AAFES headquarters during the period 12-14 April 1977. Purpose of the visit was to obtain a knowledge of AAFES' operations, to determine potential problems in AAFES' assumption of Army club management, to assess AAFES capability to manage clubs, and to develop advantages and disadvantages. Time constraints of the visit did not permit the development of cost benefit analysis of AAFES' assumption of Army club management vs the current management system.

c. The concept of operations developed by AAFES for centralized management of Army and Air Force commissaries (Annex A to Appendix 7-A, Volume II, DOD Study of Military Commissary Stores, May 1975 (Annex A hereto) was reviewed to ascertain its applicability to Army clubs. The study group determined that notwithstanding the differences between clubs and commissary stores, a similar concept could be utilized for the merger of the Army club system with AAFES. Modifications would be required to accommodate the differences in the Army club system.

d. The Armed Forces Exchange regulations (DOD Directive 1330.9) and applicable Army regulations (AR 60 series) were reviewed to determine current regulatory constraints which impact on the merger of the Army club system with AAFES. This review revealed that statutory changes would be required to add alcoholic beverages (other than beer) to the list of items authorized to be stocked and sold by AAFES. Additionally, unlimited privileges would have to be granted to all authorized patrons unless regulatory changes were made to allow AAFES to operate clubs as membership organizations.

2. Background.

a. The merger of the Army club system with AAFES has been considered as an alternative in previous studies. It was considered in the CONARC study of club management conducted in 1970. That study delineated the possible economies to be achieved through a merger with AAFES, but recommended ultimate centralization of the Army club system within the

Department of the Army as the optimum solution for the long-range management of Army clubs.

b. The Booz, Allen, and Hamilton Study, conducted in 1971, also included merger with AAFES as an alternative for the management of the Army club system. This alternative provided for "incorporation of an Army Club Division within the AAFES system as a major and separate Retail Division." The operational control and management of clubs would be accomplished through the existing AAFES management structure. Clubs would be entirely self-supporting as a condition for entry into the AAFES system. In recognition of the differences in operating requirements of clubs and exchanges, separate staffs would be maintained for clubs at each level in AAFES organizational structure. The study delineated the advantages of clubs' merger with AAFES. It recognized AAFES as an established organization engaged in related aspects of the food business and the potential for savings by satelliting some club management functions on to existing AAFES organizations and systems. Notwithstanding, the study concluded that a separate club command was preferable to merger with AAFES. Its conclusion was based on the following considerations which are quoted below:

"Club operations, being membership oriented and stressing high quality food and service, are significantly different from current AAFES activities. Because of its size, AAFES activities are being continually scrutinized by Congress and private interest groups, and from time to time pressures are brought to bear which result in limiting the scope of AAFES activities. Adding responsibility for club operations to AAFES may result in intensifying this scrutiny, cause confusion as to the combined organization's mission, and result in additional regulation which could prove detrimental to both exchange and club operations.

"AAFES is fully involved in managing the exchanges and its reluctant to seek out the additional responsibility of managing a worldwide club system."

"Incorporation of the club management into the AAFES system will again put the clubs into a secondary position with respect to the primary missions of the command."

"Our judgment is that the clubs are large enough to support their own organization and incorporation of the clubs into AAFES does not appear to provide the clubs with significant long-run benefits, either managerial or cost savings, as compared with the benefits of establishing a separate command for the management of the clubs. However, a precise conclusion here would require significant additional study."

c. Interest has also been expressed by Congress regarding AAFES operation of the Army club system. During 1970, the Special Subcommittee on Exchanges and Commissaries of the House Committee on Armed Services reviewed the operations of exchanges, commissaries, and related activities (HASC No. 91-771, dated 22 Dec 70). In reviewing the Navy's exchange program, the subcommittee noted that Navy enlisted clubs had operated successfully under the direct responsibility of the Navy Resale System. The subcommittee strongly suggested that the Departments of the Army and Air Force explore the possibility of AAFES operating their enlisted clubs. In accordance therewith, the feasibility of AAFES assuming the function of Army club operations was explored. However, the Army determined that any decision regarding changes in the management of the Army club system should be held in abeyance pending completion of the Booz, Allen, and Hamilton Study of nonappropriated fund activities (including clubs) which was currently in progress. Based on the findings and recommendations of the Booz, Allen, and Hamilton Study, the HQDA decision was to implement increased centralized club management within the Department of the Army.

d. On 29 April 1977, the retiring AAFES commander informed the Chief of Staff, United States Army that AAFES could assume a broader supportive role (Annex B). He further stated that "if given proper consideration militarily and politically, AAFES could provide beyond its present operations, a substantial measure of relief from use of appropriated and nonappropriated funds." Additionally, it was stated that "AAFES offers an excellent command to manage nurseries, laundries, bowling alleys, golf courses, tennis courts, clubs and messes, etc." The expansion of its current operations, however, would require regulatory changes to remove current restrictions regarding the sale of certain items.

e. On 2 May 1977, AAFES advised the Department of the Army that it has the management expertise and organization necessary to operate the Army club system if directed (Annex C). However, it was stated that there was no significant cumulative advantage to AAFES to assume this mission. AAFES' analysis indicates the merger would involve serious risks to the Army and AAFES. These include the loss of appropriated fund support (estimated \$27 million) and a "deterioration of AAFES' image as a viable military benefit." AAFES indicated it is prepared to provide certain specific support functions on a reimbursable basis.

f. AAFES, as well as the Army club operates on a worldwide basis. Currently, an exchange is located at every CONUS installation and at every overseas location (except Iran and Taiwan) that an Army club is located. AAFES central headquarters is located at Dallas, Texas, with subordinate headquarters in Europe, Alaska, and the Pacific. Regional headquarters

are located both in CONUS and overseas with area exchanges and operating elements. AAFES' organizational structure is as shown in Figures 1-4. The Army club management central headquarters (Club Management Directorate (CMD), TAGCEN) is currently located in Washington, DC, with its Eastern Regional Office. The CMD Western regional Office is located at Presidio of San Francisco (with a field office in Korea), and the European Regional Office is located in Roedelheim, Germany.

g. Both AAFES and the Army club system operate as nonappropriated fund instrumentalities. AAFES operates with no Civil Service (GS) employees. As of 31 July 1977, 115 Civil Service (GS) club managerial positions were authorized. All other club civilian employees are non-appropriated fund (NAF).

3. Assumptions. The following assumptions were developed for the phased merger of the Army club system with AAFES.

a. AAFES would be tasked to develop a contingency plan for the assumption of the Army club mission. The mission would be assumed as directed by the Secretary of the Army, based on the withdrawal of appropriated fund support for the Army club system.

b. Appropriated fund support, to include military and civilian personnel, may be withdrawn or significantly curtailed early in the mid-range.

c. Clubs will operate in a nonappropriated fund mode.

d. Appropriated fund civilians will continue to be utilized until terminated based on (1) decision regarding conversion to NAF, (2) withdrawal of appropriated fund support, and (3) merger with AAFES.

e. No club will be operated on a concession basis.

f. Clubs will be managed under existing and/or modified organizational structure until decision is made to merge with AAFES. Under any organizational structure, positive, and aggressive action will be taken to improve club's physical facilities and clubs' financial posture.

g. If and when the decision is made to merge with AAFES:

(1) Assets of the Army club system will be transferred to AAFES.

(2) Appropriated funds will pay all severance costs of Civil Service personnel.

(3) Civil Service personnel will be provided an opportunity to secure NAF employment with AAFES.

(4) Clubs will operate on a self-sustaining basis generating sufficient funds for improvement and/or construction of new facilities.

(5) Class VI profit distribution will be made to the Army Morale Support Fund for redistribution to Army installations.

(6) Club earnings (excess to that required for Class VI profit distribution to the Army Morale Support Fund and improvement of Army club facilities) will be equally shared by both the Departments of the Army and the Air Force under AAFES dividend distribution program.

h. The "membership only" status of Army clubs will be discontinued, however, separate officers', NCO, and enlisted clubs would continue to be operated on installations that have the markets therefor. Regulatory changes will be required to provide for use of the club by civilians currently granted "honorary membership" status.

i. Appropriated fund support currently provided to AAFES for operating the exchange system will also be provided for club operations.

4. Concept of Operation. The study group proposes that concept of operation be developed as follows:

a. Concept of operation for the control and management of the Army club system be developed by AAFES. A similar concept as that developed by AAFES for management of Army commissary stores could be used (Annex A).

b. Clubs be operated under AAFES integrated management (vertical command). The installation commander would be relieved of responsibility for club operations. Guidance and decisions from the Department of the Army would be promulgated through Army regulations and directives and the AAFES Board of Directors. A separate Club Management Division could be established in AAFES Headquarters. Below the headquarters level, club management functions could be aligned and integrated into the existing regions, area exchanges, and operating elements.

c. Club branches and annexes be staffed with NAF civilian managers. Staffing at the region and area exchange level would take cognizance of the difference in the operations of clubs and exchanges and provisions made to provide the necessary expertise for effective and efficient supervision of club operations.

d. Requirements for club management military personnel at the AAFES Headquarters and subordinate commands be determined. Excess club management military personnel be reported to MILPERCEN for reassignment.

e. AAFES develop and install a management information system for clubs. Existing systems, modified as appropriate, be used for club operations (i.e., civilian personnel management, payrolls, accounting, merchandising, training, procurement, construction, inspection and audit, facilities layout and design, financial management, etc.).

f. The impact of the merger on the Club Management Course and the Executive Club Management Course be assessed.

g. Analysis be made of existing clubs' branches and annexes to determine their need and to close those that are not needed. Those determined required would continue to operate in their current facilities.

5. Feasibility Analysis.

a. If directed to assume the Army club management mission, AAFES has stated that it has the management expertise and organization necessary to do so. The study group agrees with AAFES' evaluation. The AAFES has a worldwide organization and management structure into which the worldwide Army club system can be merged. It has a civilian personnel management system to which the Army club system can be readily adapted. Both exchanges and clubs are service oriented and operate with limited appropriated fund support. AAFES has a worldwide communication and data processing capability which is adaptable to club operations, with modifications. Exchanges are located in most of the places that clubs are located. AAFES, as clubs, represents commercial-style management and operations in a military environment. The addition of a Club Management Division to the AAFES Headquarters staff could provide it the necessary expertise to assume all of the functions involved in club operations. These include personnel, merchandising, distribution, accounting, engineering, data systems, legal, auditing, procurement, food service, vending operations, training, public relations, comptroller, veterinarian, and administrative services.

b. The merger of the Army club system with AAFES should result in some economies. The qualification of economies requires detailed study. The economies would, however, be offset by the loss of membership dues, the cost of AAFES assuming those functions of technical training and management assistance; its modifications of present data and management information systems; and the indirect support of the present club system that is paid with appropriated funds.

c. The merger would involve the relocation of personnel. Additionally, it could result in the loss of experienced club personnel if employees opted not to accept employment with AAFES. Personnel turbulence could be encountered in headquarters and other post activities as employees exercised their rights to be placed in vacancies for which they are minimally qualified. Also, the merger could impact adversely on the viability of other post NAFI's, i.e., CAO, CPO, etc. It is assumed that the elimination of clubs' functions for these activities could result in loss of jobs.

d. Regulatory changes would be required to permit AAFES to operate clubs as membership organizations. The obtainment of such changes could pose a difficult problem. Provided such changes were not made, AAFES would be required to operate clubs as nonmembership activities without the charging of membership dues. Additionally, AAFES is not receptive to assuming the management of Army clubs as membership organizations. If AAFES assumed the club function, clubs would probably be managed as feeding and entertainment activities opened to all eligible patrons.

e. The merger of clubs with AAFES is based on the assumption that appropriated fund support may be significantly reduced or withdrawn in the early mid-range (estimated 1 October 1980). The assumption of the club management function by AAFES would, in the opinion of the study group expedite the reduction and/or elimination of appropriated fund club support. A premature reduction and/or elimination of appropriated fund support would impact adversely on the financial survival of 44 percent of Army clubs (see paragraph 6, Chapter 5).

f. As noted in the Booz, Allen, and Hamilton Study previously referenced, AAFES is subject to continual scrutiny by Congress and private interest groups. Increasing its size and role by the addition of the club management function could intensify this scrutiny and have an adverse impact on AAFES' capability to perform both the club and exchange missions.

g. The merger of the Army club system with AAFES would necessitate the replacement of military club managers with NAF civilians. This would require AAFES to hire approximately 900 club management personnel. The increased cost of NAF civilian club management personnel (approximately \$234. million) would result in significant price increases for club patrons.

h. A significant increase in AAFES military strength as a result of the assumption of the club management function could eventually lead to a substantive reduction-in-force action involving AAFES and club personnel.

The increase in AAFES military strength, however, should not be significant since the majority of the club management personnel would be NAF civilians. It should be noted that in the absence of a merger both club management and AAFES military personnel are subject to reduction-in-force by both Congress and DA. This is supported by the recent recommendation of the Senate Committee on Appropriations to replace with civilians the military personnel currently serving in nonappropriated fund activities such as exchanges and officers' clubs. Should the future use of military personnel in club management not be authorized, the merger could facilitate the operation of clubs without military personnel.

i. Club accounting procedures are promulgated in AR 230-65. The regulation establishes a chart of accounts for clubs and other nonappropriated fund activities. Club accounting procedures are not compatible with AAFES, consequently, if the merger is effected, club accounting function would be accomplished by AAFES in accordance with revisions in current accounting procedures, as required.

j. In many instances, Army clubs are in a deteriorated condition. Many require extensive renovation and/or need to be replaced with a new facility. Renovation and/or construction requirements are estimated in excess of \$58.5 million. Currently, loans are made to clubs for renovation and/or new construction based on their ability to repay the loan. Many clubs that are in need of renovation and/or new facilities currently cannot obtain loans because of their inability to repay. Grants are not made. Given these conditions, the conduct of an aggressive club renovation and/or construction program is required to improve facilities prior to merger with AAFES. The construction/improvement of club facilities will require a considerable period since it is assumed that the majority of the cost thereof will be funded by nonappropriated funds.

k. The replacement of appropriated fund civilian and military personnel with NAF civilians will result in increased funding of nonappropriated fund salary and wage-fixing authority. The current financial posture of clubs require significant improvement to offset the increased costs. Accordingly, prior to merger with AAFES, a positive and aggressive program should be conducted to accomplish this objective.

l. AAFES assumes that the implementation of policies and procedures for the DA drug and alcohol abuse program will impact adversely on bar sales. The possibility exists that this could occur dependent upon policies and procedures implemented. However, there is no precise method to correlate the implementation of drug and alcohol abuse control policies and procedures on club bar sales.

m. AAFES cites as additional disadvantages (Annex C) the "(12) increase in marginal/loss activities, (13) cost of realignment of exchange/people to accommodate club functions, (14) development and training of employees, (15) upkeep and maintenance of clubs, and (16) increase in food price to offset loss of bar sales." It appears that some of these disadvantages are based on assumptions. Detailed study is required to determine costs/benefits and the significance of the above factors as disadvantages. Additionally, insufficient basis exists to substantiate a loss in bar sales with a resultant increase in food prices since the impact of the DA drug and alcohol abuse control policies and procedures thereon cannot be accurately measured.

n. The development of a management information system for the Army club function would be required. The cost for development and operation of the system cannot be determined without detailed study. However, the study group does not believe the cost would be prohibitive and the cost would probably be less than club's current annual accounting costs (estimated in excess of \$6.0 million).

o. Increased staffing in certain functional areas could be required. It is assumed a Club Management Division would be added in AAFES Headquarters. Also, personnel with club experience and expertise would be added at the regional and area exchange level. It is also assumed that in areas in which several clubs currently exist, some could be eliminated without impairment of services to club patrons. If so, personnel reductions could be achieved. The additional staffing for AAFES to assume the Army club system mission cannot be determined without detailed study.

p. The stringent enforcement of codes and regulatory provisions for fire, safety, sanitation, and the handicapped does not appear to be a significant problem. The applicable codes and regulatory provisions are currently being enforced in most clubs. All club renovations and/or new construction include these requirements.

q. The assumption of the club function by AAFES would relieve the installation commanders of club operations. It would also result in a loss of direct control by HQDA. However, indirect control can be exercised by DA through the AAFES Board of Directors. Indirect control by the installation commander can also be exercised in the same manner that it is currently exercised for exchange operations (Exchange Councils).

r. The merger with AAFES would facilitate the operation of the Army club system with significantly reduced appropriated fund resources. Military and appropriated fund civilian club managers would be replaced with NAF civilians. These civilians would be administered under the AAFES

civilian career management program which provides for centralized management, upward mobility, assignment flexibility, and other provisions which are not authorized under current Department of the Army NAF civilian personnel regulations. The merger would eliminate the problems involved in the professional development of club management officers under OPMS and the personnel turbulence currently encountered with the assignment of military club management personnel to fill worldwide club requirements. Greater stability in managerial club management positions would be achieved with a resultant favorable impact on clubs' service to membership and clubs' financial posture.

s. The merger of the Army club system with AAFES could be accomplished without the merger of the Air Force club system. It would be desirable if both club systems could be merged. If only the Army club system is merged, club earnings would be equally shared by both Departments of the Army and Air Force under AAFES dividend distribution program. A problem could be encountered with the distribution of Class VI income. This is based on the 1972 recommendation of the Subcommittee on Nonappropriated Funds of the House Armed Services Committee that the military services utilize the profits from retail package beverage (Class VI) sales in CONUS for the benefit of the entire morale support program at the installation level. A merger with AAFES could result in these profits being distributed in a manner contrary to the recommendation. Although a potential problem area, it does not appear to be insurmountable. The profits could be collected by AAFES and could be distributed to the Army's Morale Support Fund for redistribution to Army installations. Any distribution system implemented that differs from the congressional recommendation could result in adverse congressional reaction unless the action has received congressional approval.

t. AAFES has concluded that a merger of Army clubs and exchanges will impact adversely on the favorable image that AAFES currently enjoys. The basis for this conclusion is that if the merger were directed, AAFES would be required to immediately initiate aggressive action to "(1) improve and standardize customer service levels, (2) update, improve and repair facilities, and the need to improve earnings is certain. It is equally certain that there is no effective way to elaborate or otherwise convince the military club patronage why such actions must be sustained by increasing club prices (i.e., each club must be self-sustaining)." The study group concurs that the implementation of the quoted actions and substantial increases in prices would impact adversely on AAFES' image. However, the adverse impact would be reduced if HQDA and commanders had taken positive and aggressive action to improve clubs' facilities and financial posture prior to the merger. The extent to which such improvements had been accomplished could eliminate the necessity to impose higher club prices.

6. Advantages and Disadvantages.

a. The merits of adopting this alternative were evaluated against the following criteria.

- (1) Organizational effectiveness.
- (2) Surveillance.
- (3) Training and assistance.
- (4) Initial Cost Savings.
- (5) Cost Avoidance potential.
- (6) Military club management career program.
- (7) Personnel impact.
- (8) Continuity of operations.
- (9) Congressional desires.
- (10) Tradition.
- (11) Ability to offset the withdrawal of club appropriated fund support.
- (12) Employment of civilian managers.

b. Organizational Effectiveness.

- (1) Advantages.
 - (a) Reduces competition between clubs and exchanges in the food service area.
 - (b) Provides clubs with single line, goal oriented management.
 - (c) Provides management with control of all resources necessary to accomplish goals.
 - (d) Provides an established management structure, with geographic organization, for supervision and operation of clubs.
 - (e) Provides a realistic span of control for regional and area managers.

(f) Increases centralization of commercial type operations under a single organization.

(g) Relieves the installation commander of an additional administrative burden.

(2) Disadvantages.

(a) Removes clubs from operational control of commanders whose personnel are served.

(b) Contribute to members' perception that they are losing "their club."

(c) Could adversely impact on other nonappropriated fund activities and functions (i.e., CAO, CPO, RIMP, GRIP, etc.).

(d) Possible reduction in installation support for club operations.

c. Surveillance Capability.

(1) Advantage. Provides for surveillance of operations within the organization.

(2) Disadvantage. May reduce the effectiveness of the surveillance effort by limiting role of outside agencies (CID, DAIG).

d. Training and Assistance.

(1) Advantage. Provides resources for training and assistance within the organizational framework.

(2) Disadvantage. None.

e. Initial Cost Savings.

(1) Advantage. None.

(2) Disadvantages.

(a) Initial cost of adopting current systems to AAFES configuration may be high.

(b) Could result in the loss of membership dues (approximately \$15 million).

f. Cost Avoidance Potential.

(1) Advantage. Provides an established organization with systems for personnel, financial reporting, controls, procurement, engineering, training, legal and administrative services.

(2) Disadvantage. None.

g. Military Club Management Career Program. N/A.

h. Personnel Impact.

(1) Advantages.

(a) Provides increased opportunity for viable civilian career programs in clubs.

(b) Eliminates personnel turbulence in the assignment and utilization of military club managers.

(2) Disadvantages.

(a) Will cause personnel turbulence in initial stages.

(b) Possible loss of experienced club management personnel who are unwilling to relocate.

i. Continuity of Operations.

(1) Advantage. After initial stages, provides continuity of policy, plans, and programs.

(2) Disadvantage. Initial period of organization will be disruptive.

j. Congressional Desires.

(1) Advantage. Centralizes management of clubs, in compliance with congressional desires.

(2) Disadvantage. Addition of club management mission may raise AAFES visibility and scrutiny by Congress and outside organizations.

k. Tradition.

(1) Advantage. None.

(2) Disadvantage. This alternative does not comply with traditional assignment of authority and responsibility. Additionally, the adoption of this alternative could result in clubs being managed as feeding and entertainment activities with loss of their traditional membership status.

1. APF Offset.

(1) Advantages.

(a) Centralization and use of standard systems can result in savings which offset in part the APF support now provided to clubs.

(b) Single organization control of resources allows leveling between profitable and marginal clubs.

(c) Provides an integrated system for the establishment and accomplishment of financial objectives necessary to improve the ability of each club system to offset loss of APF support.

(d) Facilitates the development and execution of the planned replacement of military with NAF personnel.

(e) Permits maximum utilization of cash assets to achieve financial independence from APF support.

(2) Disadvantages. The period of transition and organization could produce an initial loss, system-wide, while club requirements are adopted to AAFES systems.

m. Employment of Civilian Managers.

(1) Advantages.

(a) Single organizational control would enhance the career opportunities for managers.

(b) Permits the use of an established NAF career program.

(c) Would facilitate the recruitment of NAF employees through a centralized recruitment program.

(2) Disadvantage. Transition may initially produce a loss of experienced managers who are unwilling to transfer to AAFES control.

7. Risks. Selection of this alternative involves the following risks:

- a. Commanders may diminish installation and logistical support of club operations.
- b. The business approach accompanying a vertical system may over-emphasize profit at the expense of member's welfare.
- c. Increased visibility and scrutiny by Congress and outside organizations may result in regulations which could prove detrimental to both exchange and club operations.
- d. Club operations may be assigned a lower priority by AAFES thus placing clubs in a secondary position.
- e. Clubs may lose their membership status and the tradition associated therewith and may be managed by AAFES as restaurant type activities.

8. Conclusions.

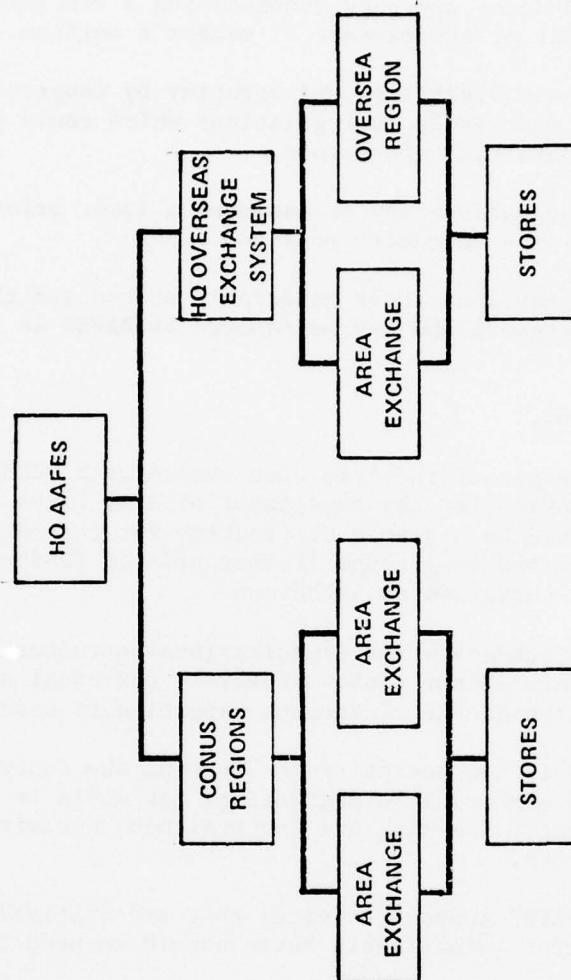
- a. The merger of the Army club system with AAFES is not considered a viable alternative for the management of Army clubs in the short or mid-range. It could be a viable alternative for the management of the Army club system in the long-range if appropriated fund club support were significantly curtailed or withdrawn.
- b. AAFES possesses the organizational structure and communication network to operate Army clubs. However, personnel augmentation would be required to provide the management expertise to manage clubs.
- c. AAFES is not receptive to assuming the centralized management of Army clubs as membership organizations but would be receptive to managing clubs as strictly "feeding and entertainment activities" opened to all eligible patrons.
- d. The AAFES support services that are available to the Army club system on a cost reimbursable basis should be used to the maximum extent possible.

9. Recommendations.

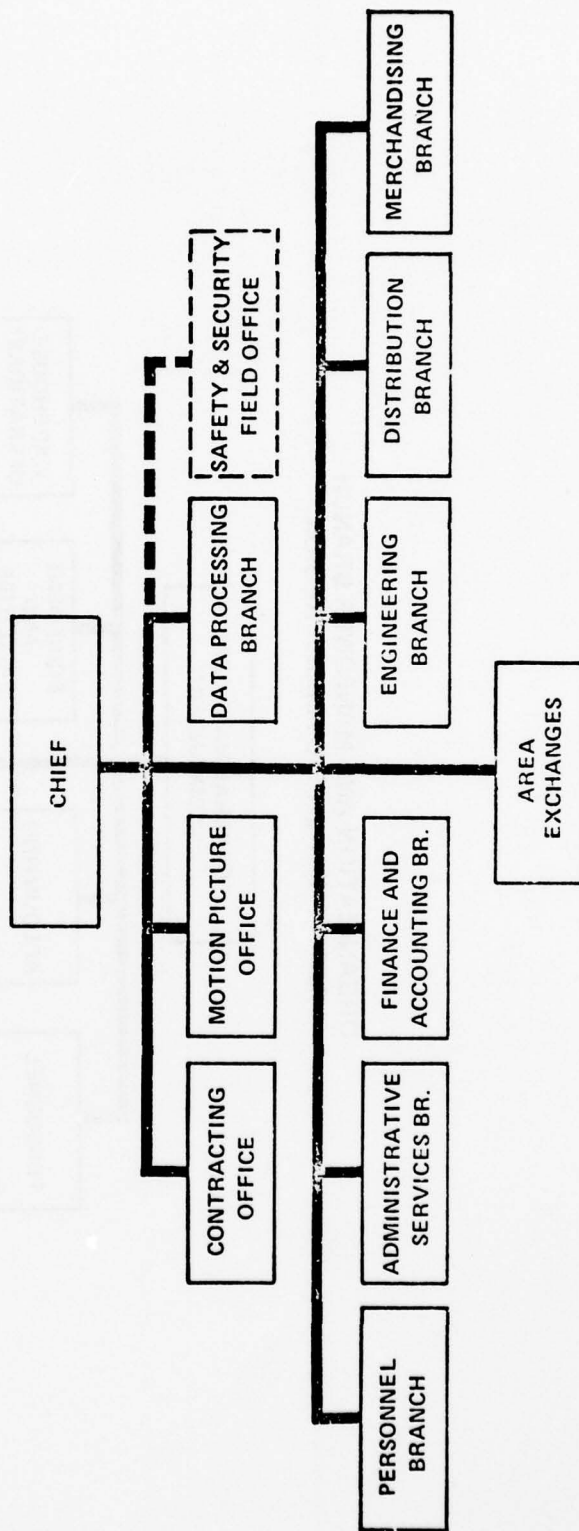
- a. That the merger of the Army club system with AAFES not be considered a viable option at this time.
- b. That HQDA and installation commanders use AAFES support services to the maximum extent possible when such use is more cost effective.

FIGURE 1

FOUR LEVEL ORGANIZATIONAL CONCEPT



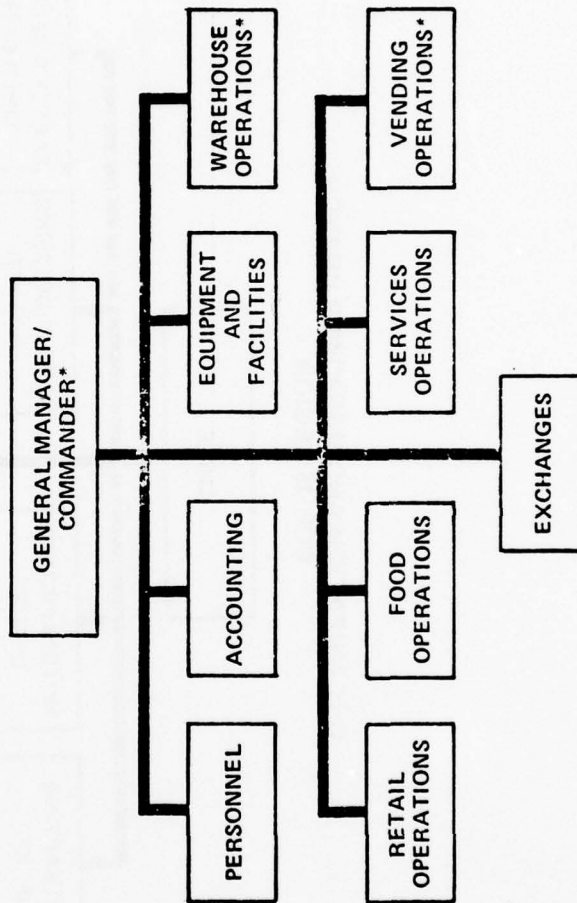
ORGANIZATION AND MANPOWER BRANCH CONUS REGION



--- Safety and Security under Director, Safety and Security Office

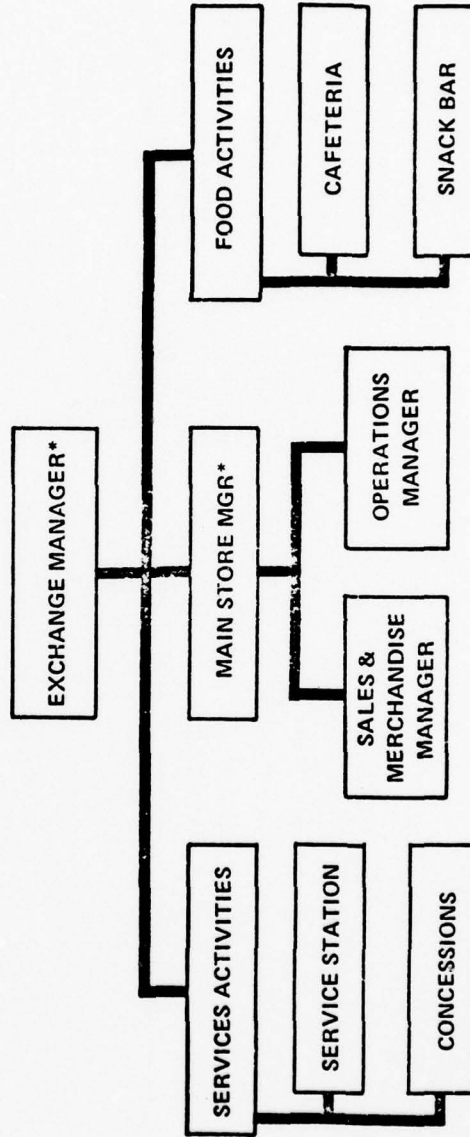
FIGURE 3

ORGANIZATION AND MANPOWER BRANCH
AREA EXCHANGE/OVERSEA REGION



* Offshore/Oversea Locations

ORGANIZATION AND MANPOWER BRANCH
EXCHANGES



* Exchange Manager serves as M/S Mgr in dual capacity

ANNEX A TO APPENDIX 11-D

CONCEPT OF OPERATIONS-

(DEVELOPED BY AAFES FOR CENTRALIZED MANAGEMENT
OF ARMY AND AIR FORCE COMMISSARIES)

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	ASSUMPTION OF CONTROL
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VII	ACCOUNTING
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IX	PERSONNEL
X	DISTRIBUTION
XI	FACILITIES
XII	CONCLUSIONS

I. Introduction

1. On 8 January 1975, the Commander of the Army and Air Force Exchange Service (AAFES), directed the establishment of an Operations Study Group on AAFES Assumption of Army and Air Force Commissary Stores. The study group was charged with the development of a concept for AAFES assuming the responsibility for operating Army and Air Force Commissary stores worldwide (excluding troop issue functions).

2. References:

- a. 10 United States Code 4621 and 9621.
- b. Section 814, Department of Defense (DOD) Appropriation Act, 1975 (Public Law 93-437).
- c. Armed Services Commissary Store Regulations (ASCSR), DOD Directive 1330.17.
- d. Armed Services Exchange Regulation (ASER), DOD Directive 1330.9.
- e. Army Commissary Operating Procedures, Army Regulation (AR) 31-200.
- f. Air Force Commissaries, Air Force Regulation (AFR) 145 series.
- g. Exchange Service AR 60 series/AFR 147 series.

II. Legal Considerations

3. References 2a and b limit the cost which may be included in the price to the customer. Statutory changes will be required to add personnel costs and other appropriated fund support costs which are expected to be withdrawn. The regulations referred to above (2c through g) pertain to a specific type of resale activity and if AAFES is designated as the operating activity, they must be replaced by a single series which will authorize AAFES to provide the additional subsistence item categories and to properly reflect the additional assigned mission. DOD regulation changes will require approval of the House Armed Services Committee.

4. To financially integrate the commissary with AAFES, a DOD waiver of compliance with the working fund concept of the statute would be necessary. Use of existing buildings and improvements is legally sustainable. Transfer of existing commissary inventories to AAFES without reimbursement may require a legislative change.

III. Background

5. The subject of AAFES managing the Army and Air Force Commissaries has arisen in the past. In May 1970, Department of the Army requested AAFES to develop a position paper on the feasibility of AAFES assuming complete responsibility for the operation of Army and Air Force commissaries. AAFES concluded that operation of commissaries was feasible and that the most desirable method of operation was total assumption of the management and operation of the stores (excluding troop issue) by merging the activity into the AAFES organization; thus, converting the resale function into a nonappropriated fund activity. It was estimated at that time that a net increase to the patron under this concept would be 15% in addition to 3% surcharge with no provision for a construction program.

6. AAFES has advised the Departments of the Army and the Air Force that it has the expertise to operate the Army and Air Force commissary stores if such action is directed.

IV. Assumptions

7. The proposed AAFES concept for the operation of commissaries is based upon the following assumptions:

- a. Troop issue commissary functions will be retained by the departments.
- b. Commissaries will be operated as a nonappropriated fund activity.
- c. Present statutes, DOD directives and departmental regulations will be changed as required.
- d. AAFES will not be required to generate earnings for central welfare distribution from commissary store operations.
- e. Employees assigned to commissary store functions will be nonappropriated fund employees. Former civil service employees may be hired by AAFES as new employees. TAB B provides a plan for the conversion of commissary store civil service personnel to the DOD nonappropriated fund personnel program which should reduce the potential personnel turbulence.
- f. Assumption of commissary operations will be accomplished on a phased schedule during the period 1 October 1975 through 30 September 1976.
- g. Entitlements, patronage control, and identification procedures will be the same as for other exchange activities.

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h. Appropriated fund support will be phased out by 30 September 1976. By 1 October 1976 the support will be the same as presently provided to exchanges, such as executive military supervision of operations, movement of merchandise, supplies, and equipment to and from oversea areas on a nonreimbursable basis, providing of adequate and suitable facilities and services, including buildings, security, fire protection, veterinarian inspection services, communications (use of DOD Automatic Voice Network (AUTOVON) and Automatic Digital Network (AUTODIN), sanitation services, and utilities in oversea areas.

i. AAFES will establish variable merchandise markup schedules so that price increases for subsistence items can be minimized.

j. AAFES commissary stores will be initially established and operated in present commissary facilities.

k. Commissary facilities, equipment, and fixtures will be transferred to AAFES on a nonreimbursable basis.

l. Initial inventories (onhand and due-in) will be transferred to AAFES on a nonreimbursable basis.

m. Change funds currently in use in commissary stores will be transferred to AAFES on a nonreimbursable basis.

n. Procurement will be accomplished in accordance with AAFES procurement policies and procedures. AAFES will be authorized to order merchandise for resale in commissary stores from Defense Department Supply Bulletins and Defense Personnel Support Center, as necessary.

o. A master stock assortment for commissary stores will be established by AAFES.

p. Operating hours at commissary stores will be established by AAFES in coordination with local commanders.

q. Residual surcharge funds will be transferred by the departments to AAFES.

V. Cost Analysis

8. The operating statistics for the Army and Air Force Commissary operations for Fiscal Year (FY) 1974 were reviewed to establish a basis for projecting the operating costs that could be expected with the total

purpose of this study, a 5% factor was used for indirect cost. This compares with estimated indirect cost of 5% in the Office of Management and Budget (OMB) Study. A factor of 1% of sales was added to fund a construction program. The analysis (TAB A) indicates operating costs on a breakeven basis at the time of total reimbursement and under existing organization would be approximately 18.6% of sales at cost. If AAFES was required to operate commissaries under a management fee concept, the fee should be 18.6% of sales at cost less any surcharge paid by the patron.

9. The existing commissary operating costs could be reduced if there was full integration of the commissary system into the AAFES organization and mechanized systems, as further discussed in Section VI of this study.

10. The addition of an estimated \$2 billion annually to the AAFES cash flow could result in a modest improvement in the AAFES cash position. Since AAFES has an established network of bank accounts to support current operations, new bank accounts in most cases would not be required for the commissary operations. This would impact favorably on the overall AAFES cash position because of the additional cash flow provided by the commissary operation.

VI. Concept of AAFES Operation of Commissary Stores as a Nonappropriated Fund Activity

11. There is great similarity between the AAFES and the commissary systems in basic mission and functions. Both exchange stores and commissary stores are generally self-service operations with central checkouts and require patronage control. An exchange exists at every installation now having a commissary store, although there is not necessarily a commissary store at every installation having an exchange. AAFES currently stocks many of the items available at commissary stores in its exchanges and convenience stores. AAFES has extensive experience and expertise in merchandise management and mechanized systems for merchandise management, accounting, payroll, and personnel management. AAFES has a worldwide retail organization in place for accomplishment of management and operational functions, and for procurement and distribution processes. If so directed, commissary operations could be merged into AAFES existing organization.

12. Integration of the commissary operations into AAFES existing organization and conversion of current commissary store manual operations in procurement, stock control, and accounting to AAFES mechanized systems, should achieve substantial economies of operation. Such a merger would result in centralized management control at Headquarters, AAFES, and decentralized operational and technical control at area, regional, and oversea system levels. The merger would enable utilization of common support services, avoid costs in duplication of functions, and enable most effective utilization of available expertise.

13. These operational factors support the feasibility of merging the commissary store systems with the exchange systems. There are differences between supermarket and department store operations, which must be recognized. The extreme low margin in grocery operations, essential to protection of customer benefits would require intensive management of high in-stock efficiency for high volume sales, aggressive control of direct operating expenses, and rapid high turn of inventories. A lack of recognition of these differences would have adverse implications with respect to customer service and benefits.

ORGANIZATION

14. Headquarters, AAFES, would assume overall management responsibility which includes the existing departmental level management and supervision functions. AAFES vertical control of commissary store operations would be consistent with the integrated management of exchanges with Commander, AAFES, and command responsibilities as defined in department regulations.

15. The AAFES continental United States (CONUS) regions, area exchanges, and oversea systems would assume operational control with those responsibilities of store management and operating performance.

16. All functions would be aligned with and integrated into the existing AAFES organizational alignment, and would be accomplished at the organizational level at which exchange functions are accomplished. AAFES nonappropriated fund procurement procedures would be utilized and procurement accomplished in accordance with AAFES procurement policies. Employees would be subject to AAFES personnel policies.

17. Augmentation of staffing at AAFES headquarters, region, area, and oversea system headquarters levels would take cognizance of the aforementioned differences in operation of grocery stores and department stores. Executive positions requiring the necessary expertise and at the appropriate grade level would be established to provide concentrated specialized attention and management control to this phase of the operation.

18. Any directive for AAFES to assume operational control of commissary stores as a nonappropriated fund activity should provide sufficient time for AAFES to validate staffing and space requirements at headquarters level, determining staffing patterns for regions, oversea systems, area exchanges, and store level, and to develop job descriptions.

PRICING

19. The AAFES pricing policy with respect to exchanges, to provide prices to customers at a differential below commercial retail prices, while achieving earnings objectives and maintaining a sound capital structure, would apply to AAFES commissary stores. Since there will be no departmental requirement for dividends from commissary stores, the commissary store earnings objective would be to offset all costs for a break-even operation, including a new construction/renovation program. The pattern to price at a differential below retail prices, would aim for a higher differential for basic food items, meat, dairy, and perishables than for general merchandise or nonfood items. A market basket survey would reflect favorable levels of savings.

20. The variable markup method of pricing is considered essential to the pricing policy, to enable competitive pricing with commercial establishment on certain items, and to recover a portion of costs from sale of nongrocery items at a higher markup than would be applied to food items.

21. Data available from a Cornell University study of 5,600 conventional supermarkets during 1973/1974 indicated the average gross margin realized was 20.9%, with a net profit of .6%. The conventional supermarket, because of their existing share of the commercial market, is viewed as the most appropriate for operational comparison with projected AAFES operations. However, according to the Retail Intelligence System (RIS) of Management Horizons, Inc., the conventional supermarket is becoming increasingly obsolete. It is imperiled by an accelerated growth rate of super stores and jumbo markets. According to RIS, the conventional supermarket:

Lacks size to compete on a sales mix basis with the super store.

It is too large to economically compete with convenience food stores.

Low profitability makes it very susceptible to adverse effects of market saturation.

The ultimate competition that AAFES would eventually face in commissary store operation is the jumbo supermarket, or food warehouse.

22. AAFES can operate commissary stores at lower costs than now experienced with appropriate funds or by conventional supermarkets, and at the same time provide for construction program of approximately 1% of sales. AAFES would experience no cost for advertising, taxes, or profit objective. Direct payroll expenses would be reduced, through the implementation of automated procedures, greater use of part-time personnel, and

the alignment of commissary functions into a similar posture as AAFES. The addition of \$2 billion sales revenues to AAFES cash flow would broaden the base of overhead allocations and reduce the overhead percentage.

23. Determination of projected operating costs with AAFES would recover through markups, and, therefore, determination of the sell price level differential below commercial prices can best be demonstrated by the following operational comparison. Reflected here in an operational analysis of conventional supermarkets based on the Cornell study, and the AAFES projection based on best estimates.

ANNEX B TO APPENDIX 11-D

COPY OF LETTER FROM COMMANDER AAFES TO CSA, 29 APR 77,
RE AAFES ASSUMPTION OF POST/BASE SUPPORT MISSIONS

DEPARTMENTS OF THE ARMY AND THE AIR FORCE
HEADQUARTERS ARMY AND AIR FORCE EXCHANGE SERVICE
DALLAS, TEXAS 75222

29 April 1977



OFFICE OF THE COMMANDER

General Bernard W. Rogers
Chief of Staff
United States Army
Washington, D. C. 20310

Dear General Rogers:

During my visit with you on 6 April, I discussed briefly some of the key aspects of AAFES operations, particularly:

1. The need of troop orientation with regard to AAFES operations and its benefits to them.
2. The potential for AAFES to assume a greater role in performing the post/base support mission of nurseries, bowling alleys, golf courses, laundries, etc.

If given proper consideration militarily and politically, AAFES could provide beyond its present operations, a substantial measure of relief from use of appropriated and non-appropriated funds. AAFES offers an excellent command to manage nurseries, laundries, bowling alleys, golf courses, tennis courts, clubs and messes, etc. In assuming a broader supportive role, AAFES should be freed of all restrictions on sale of many of the now prohibited items in order to hold customer prices at an acceptable level. This would, among other things, allow the military to look after its own, particularly the families of the lower ranking military men and women.

General Bernard W. Rogers

29 April 1977

My discussion with regard to the commissaries I feel needs some repeating and amplification. With your indulgence, I would like to put forth some possible solutions to the commissary issue.

The commissary systems are placed in the untenable position of trying to provide a high level of customer service and savings while at the same time achieving major increases in operating efficiencies. Operating within present regulatory constraints prohibits achieving those efficiencies that are readily available to the commercial supermarket. The actions of the services to form centralized commissary systems are commendable. Though actions taken have resulted in less costly operations while maintaining appreciable customer savings, the efficiency of the system is obstructed by its non-competitive aspects. The savings to the customer should and could be substantially greater. The primary savings must be assured by personnel conversion to NAF and adoption of AAFES procurement procedures.

The continuing erosion of the total military benefits package requires a prompt, direct solution to preserve those remaining benefits. The final configuration in my view to the present system should be a single US Army and US Air Force military command, relieved of both diverse local pressures unrelated to the basic commissary mission and civil service personnel. These regulations do not permit optimum operating efficiencies. This command could be integrated with AAFES or remain separate. There is in my opinion an urgent need to:

1. Integrate the Army and Air Force commissaries into a single command or as a part of AAFES resale mission. Either way the command would extend the proven efficiencies of such a structure to the complete resale segment of the military benefits package.

2. Convert the present Army and Air Force commissary staff from the constraining civil service system to a nonappropriated fund program which would provide the flexibility necessary to achieve the operating efficiencies of commercial supermarkets. This conversion would require a one-time congressional appropriation of

General Bernard W. Rogers

29 April 1977

approximately \$251 million. The amount of the appropriation represents only the accrued civil service retirement liability for personnel of the Army and Air Force commissary systems.

3. Retain congressional appropriations for the Army and Air Force commissary operations at present levels. The difference between the total appropriations and the reduced costs produced by more efficient operations would be passed on to the customer in reduced prices.

4. The proposed command would provide the management system to effectively manage and control worldwide resale activities; to establish a personnel system with the flexibility necessary to more extensively use part-time personnel, transfer specialized skills as necessary and better match personnel resources to customer service requirements; and to achieve the consolidated procurement base and flexible procurement policies necessary to maximize the price advantage for the commissary patron. It is estimated that this course of action, coupled with the efficiencies that can be achieved in operations would result in savings of at least \$60 million below projected operations cost for the present centralized commissary systems. This would translate to an additional 3.5% savings to the customer for basic food items.

A configuration leaving the present commissary commands as they are now organized could be aided in a substantial manner by AAFES. The operating efficiencies available to AAFES could be extended to the existing Army and Air Force commissary organizations through a direct support program. AAFES would provide comprehensive procurement support to the Army and Air Force commissaries for those commodities where procurement advantages could be realized in such areas as consolidation of requirements, volume discounts or extended delivery terms. The existing AAFES merchandise management and control systems would be applied to Army and Air Force commissary operations to gain additional efficiencies from increased


General Bernard W. Rogers

29 April 1977

inventory turns, improved in-stock efficiency and reduced merchandise processing costs. This capability could be provided by assigning AAFES the responsibility to manage the stock assortment control, pricing and procurement functions for Army and Air Force commissaries. This program would retain commissary activities as appropriated fund entities while realizing the benefits of AAFES consolidated procurement procedures. Such a program would produce savings of approximately \$40 million or an additional 2.3% savings to the customer for basic food items.

Engineering support in store construction by AAFES offers at least a 10% additional savings over present Corps of Engineer experience.

Best wishes.


C. W. HOSFELHORN
Major General, USA
Commander

ANNEX C TO APPENDIX 11-D

COPY OF LETTER FROM HQ AAFES TO TAG, 2 MAY 77,
SUBJECT: ARMY CLUB MANAGEMENT STUDY



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
HEADQUARTERS ARMY AND AIR FORCE EXCHANGE SERVICE
DALLAS, TEXAS 75222



AAFES-PL-P

2 MAR 1977

SUBJECT: Army Club Management Study

The Adjutant General
Department of the Army
Attention: Director of Club Management
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20314

1. Reference Department of the Army (DA) Club Management Study Team's visit 12-14 April 1977 to Headquarters, Army and Air Force Exchange Service (AAFES).
2. It is understood that, among the various objectives being studied by DA to identify a management structure to cope with club problems, three alternatives are being considered: (1) stay within existing organization structure, with modification; (2) establish a separate club command similar to AAFES; and (3) incorporate an "Army Club Management Division" within the AAFES as a major and separate activity.
3. AAFES comments to the above alternatives are as follows: Under alternatives (1) and (2) above, AAFES is prepared to provide certain specific support functions on a reimbursable basis (see Inclosure 1). In regard to alternate (3) above, AAFES has the management expertise and organization necessary to operate the Army Club System, if directed. Some disadvantages and advantages to the AAFES are provided at Inclosure 2. Also, a listing of some advantages and disadvantages to DA may be found at Inclosure 3.
4. In summary, there is no significant cumulative advantage to AAFES under alternate (3). Conversely, several major disadvantages must be viewed as serious risks; i.e., loss of appropriated fund support (approximately \$27 million), loss of membership dues (approximately \$20 million) and certain deterioration of AAFES' image as a viable military benefit.
5. If AAFES were directed to assume operation of the Army Club System, the immediate need for aggressive action to (1) improve and standardize customer service levels, (2) update, improve and repair facilities, and

AAFES-PL-P

SUBJECT: Army Club Management Study

the need to improve earnings is certain. It is equally certain that there is no effective way to elaborate or otherwise convince the military club patronage why such actions must be sustained by increasing club prices (i.e., each club must be self-sustaining).

6. It is concluded that such actions will surely deteriorate the favorable image that AAFES enjoys and must sustain if AAFES is to maintain its visibility as a meaningful and useful soldier and airman military benefit.

7. In the final analysis, it is vital that AAFES maintain its favorable image with soldiers and airmen at large. For this reason and the noted imbalance of disadvantages - vs - advantages (Inclosure 2), it is not recommended that the Army Club System be incorporated within the AAFES as a major and separate activity.

FOR THE COMMANDER:

Lloyd H. Manjeot
LLOYD H. MANJEOT *USAF*
Colonel, USA
Chief of Staff

3 Inclosures
As stated

SUPPORT

1. Money management.
2. Purchasing cost and expense: merchandise, furniture and equipment.
3. Provide amusement machines.
4. Provide contract concessionaires.
5. Provide bakery products, ice cream (oversea).
6. Provide institutional foods.
7. Purchase of vehicles.
8. Provide bingo equipment, supplies and prizes.
9. Staffing and manpower guidelines.
10. Internal control system: food and bar.
11. Pricing policy.
12. Layout/design.
13. Marketing techniques.
14. Audit/inspection.
15. Computer systems (to extent of capability).
16. TRW check-verification system.
17. Provide engineering services for construction and renovation projects.
18. Provide access to AAFES project documents, management and evaluation data.

AAFES

ADVANTAGES

1. AAFES overhead expense would be spread over a larger sales-base and would represent a smaller percentage of total revenue.
2. Additional cash flow.
3. Reduction of competition in food service area.

DISADVANTAGES

1. Loss of membership dues (\$20 million).
2. Loss of appropriated funds (\$27 million).
3. Requirement to account separately for appropriated and nonappropriated funds.
4. Unneeded visibility that would accrue to AAFES from direct operation of clubs.
5. AAFES would be required to hire approximately 900 club management personnel.
6. Such a large buildup, in light of force reduction by DA, eventually will lead to a substantive reduction-in-force action involving AAFES and club personnel.
7. Uncertainty of use of revenues from package stores (\$10 million).
8. Club accounting procedures are not compatible with AAFES.
9. Condition of club equipment and furnishings.
10. Increased funding of nonappropriated fund salary and wage-fixing authority.
11. Curtailment of bar sales - DA drug/alcohol abuse program.

ADVANTAGES

DISADVANTAGES

12. Increase in marginal/loss activities.
13. Cost of realignment of exchange/people to accommodate club function.
14. Development and training of employees.
15. Upkeep and maintenance of clubs.
16. Increase in food price to offset loss of bar sales.
17. It is anticipated that it would take a minimum of five years to restructure, control and direct the club system into a viable profit center; meanwhile, AAFES' profits would be dissipated to support cost of such aggressive actions.
18. Cost of developing a mechanized data collection and reporting system.
19. Increased staffing in most functional areas.
20. Code and regulatory provisions for fire, safety, sanitation, and the handicapped would be more stringently enforced.

DEPARTMENT OF THE ARMY

ADVANTAGES

1. Saving of \$27 million in appropriated funds.
2. Improved/standard level of customer service.
3. Increase in available morale, welfare and recreation funds.

DISADVANTAGES

1. Loss of direct club control.
2. Loss of "membership only" environment.
3. Increase in food service prices.
4. Club earnings would be equally shared by both departments under AAFES dividend distribution program.

12-A

APPENDIX 12-A

ALTERNATIVE I

ANALYSIS OF TRAVEL COSTS AND STAFFING REQUIREMENTS

FOR THE TRAINING AND ASSISTANCE EFFORT

1. Purpose. The purpose of this appendix is to determine the travel costs associated with the technical training and management assistance visits to clubs under Alternative I (Army Club Command).

2. Background.

a. The Club Management Study 1975 completed an analysis of TDY/transportation costs on Alternatives I, II, and III of that study.

b. The data was based on two United States regions (Washington, DC and Presidio of San Francisco). Assumptions were applied to form "ground rules" in order to arrive at an equitable cost. Per diem costs were added to transportation costs to arrive at an overall travel cost. The complete analysis of travel costs associated with the 1975 study are included in Annex F of Volume II of that study.

3. Methodology.

a. The assumptions and "ground rules" developed by CMS-75 were validated for the purposes of this study. The revised assumptions are attached at Inclosure 1.

b. The geographical "clusters" of clubs by area is shown at Inclosure 2. Three hundred activities in the 27 area "clusters" in CONUS coincides with the 306 activities reported in 1975. The eight area "clusters" in Europe consist of 251 activities, which were not analyzed in this manner in CMS 75. The Far East consists of four area clusters of 115 activities which includes Korea, Taiwan, and Okinawa, which differs significantly with the 25 "doors" reported in CMS 75. However, the total number of activities worldwide has not varied significantly since 1975.

4. Analysis.

a. A sample of the travel vouchers filed by members of TAGCEN, CMD were reviewed to determine average travel cost per man per day. The results were as follows:

	<u>UNITED STATES</u>	<u>EUROPE</u>	<u>FAR EAST</u>
Military	\$31.64	\$32.09	\$26.13
NAF Civilian	<u>49.88</u>	<u>45.12</u>	<u>52.00</u>
TOTAL	\$81.52	\$77.21	\$78.13
AVERAGE	\$41.00	\$39.00	\$39.00

b. The total travel days per area by each geographic region were computed based on the assumptions. The total required man-days and total travel costs are as follows:

<u>AREA</u>	<u>MAN-DAYS REQUIRED</u>		<u>TRAVEL COST AVERAGE</u>		<u>TOTAL TRAVEL COST</u>
UNITED STATES	3,738	x	\$41.00	=	\$153,258
EUROPE	2,042	x	39.00	=	79,638
FAR EAST	708	x	39.00	=	<u>27,612</u>

TOTAL COST OF TRAINING AND ASSISTANCE	
TRAVEL ANTICIPATED FOR ALTERNATIVE I	\$260,508

c. Based on the assumption, an individual would be available for travel 116 days per year. Utilizing this information, the staffing requirement for the training and assistance effort would be as follows:

<u>CLUB COMMAND REGION</u>	<u>REQUIRED MAN-DAYS</u>	<u>÷</u>	<u>AVAILABLE MAN-DAYS</u>	<u>=</u>	<u>MINIMUM T&A STAFFING REQUIREMENT</u>
UNITED STATES	3,738		116		33
EUROPE	2,042		116		18
KOREA	708		116		6

The size and volume of business of each activity was rated in establishing the area clusters. Also, the distance between activities within the area cluster was taken into consideration. The comparison of area cluster to the proposed regional staffing requirements of T&A effort is as follows:

<u>REGION</u>	<u>AREA CLUSTER</u>	<u>PERCENT OF TOTAL</u>	<u>PROPOSED REGIONAL T&A STAFFING RQMT</u>	<u>PERCENT OF TOTAL</u>
UNITED STATES	27	69	48	67
EUROPE	8	21	18	25
FAR EAST	<u>4</u>	<u>10</u>	<u>6</u>	<u>8</u>
	39	100	72	100

An overall rating was applied to each area to evaluate the recommended staffing ratio based on the number and complexity of activities. The ratio was developed based on the current number and type of activities "doors" in each defined area and the projected managerial requirements proposed under Alternative I. This takes cognizance of the fact that some activities are currently being managed as autonomous entities which would become integrated activities, under the direct supervision of a general manager, under the proposed configuration. It also considers the time-distance factor of activities within the area which will require increased surveillance. The composite rating factors were developed as follows:

<u>REGION</u>	<u>CURRENT NUMBER OF CLUB ACTIVITIES</u>	<u>PROPOSED RECONFIGURATION UNDER ALT I</u>	<u>RATING FACTOR</u>
UNITED STATES	409	300	1.5
EUROPE	260	251	1.0
FAR EAST	158	115	0.7

Applying the above factor to the staffing requirement, with CONUS region at 70 percent, provides for the following staffing ratio.

<u>REGION</u>	<u>NUMBER OF ACTIVITIES</u>	<u>FACTOR</u>	<u>STAFF RQMT</u>	<u>STAFFING RATIO</u>
UNITED STATES	300	1.5	33*	13.63
EUROPE	251	1	18	13.94
FAR EAST	115	.7	6	13.41

*Recognized at 70 percent of total requirement for initial organization per the assumptions.

5. Conclusion.

a. The data developed for this Alternative I (Club Command) is comparable to the data used in Club Management Study 1975.

b. The travel cost for the technical training and management assistance effort of the Army Club Command is \$260,508.

c. The proposed staffing ratio of one individual to every 13 average club activities would provide for one training and assistance visit per year for an average of nine days.

ASSUMPTIONS

1. Travel costs would be greater than the amount estimated for Alternative I, CMS-75, for the additional onsite assistance to cope with the problems associated with the withdrawal of APF support.
2. Assistance visits will be made to each club annex of installation club systems, Army-wide, by area cluster on a rotational basis with no required sequence.
3. Personnel assigned to the training and assistance teams will be utilized 50 percent of the available time in performing onsite assistance to club activities.
4. A utilization factor of 70 percent would be applied to the total man days available in the United States for the training and assistance effort. This factor would provide for available man days to overcome hire lags, unprogramed requirements, and technical assistance to other NAFI's and priority of staffing to Europe.
5. Personnel assigned to the training and assistance teams will not be scheduled to perform visits in excess of 47 days (two calendar months).
6. The average effort required per activity within an area would be as follows:

UNITED STATES	=	12 man days
EUROPE	=	8 man days
FAR EAST	=	6 man days

UNITED STATES AREA INSTALLATION
CLUB ACTIVITIES

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
1	Ft Richardson	2
	Ft Greely	2
	Ft Wainwright	2
		<hr/> 6
2	Hawaii	11
3	Ft Lewis	9
4	Presidio of San Francisco	2
	Oakland Army Depot	2
	Sierra Army Depot	2
	Sacramento Army Depot	2
	Tracy Army Depot	1
	Sharpe Army Depot	2
		<hr/> 11
5	Ft Ord	7
6	Ft Carson	7
	Ft Douglas	2
	Fitzsimmons Army Hospital	2
	Defense Depot Ogden	1
	Dugway Proving Ground	2
	Tooele Army Depot	2
	Pueblo Army Depot	1
	Rocky Mountain Arsenal	2
		<hr/> 19
7	Ft Bliss	4
	White Sands Missile Range	2
	Yuma Proving Ground	2
	Ft Huachuca	4
		<hr/> 12
8	Ft Sill	7

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
9	Ft Sam Houston Ft Hood	4 15 <hr/> 19
10	Ft Polk Red River Army Depot Pine Bluff Arsenal	4 2 1 <hr/> 7
11	Ft Riley Ft Leavenworth	6 2 <hr/> 8
12	Ft Leonard Wood St. Louis (AVSCOM) St Louis (RCPAC) Rock Island Arsenal	5 4 1 2 <hr/> 12
13	Ft Knox Ft Campbell Defense Depot, Memphis	5 7 1 <hr/> 13
14	Ft Benning Ft Rucker Ft McClellan Redstone Arsenal Anniston Army Depot	7 3 3 3 1 <hr/> 17
15	Ft Stewart/Hunter Ft McPherson Ft Gordon	5 4 5 <hr/> 14
16	Panama	11
17	Ft Buchanan	2
18	Ft Bragg Ft Jackson	13 4 <hr/> 17

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
19	Ft Belvoir	2
	Ft Lee	6
	Vint Hill Farm	2
	Defense Depot, Richmond	1
	TJAG School	1
		<hr/> 12
20	Ft Myer	3
21	Ft McNair	2
	Cameron Station	2
	Arlington Hall Station	2
	Walter Reed Army Hospital	2
		<hr/> 8
22	Ft Meade	2
	Aberdeen Proving Ground	7
	Ft Ritchie	2
	Ft Detrick	2
	Letterkenny	2
		<hr/> 15
23	Ft Eustis	6
	Ft Monroe	2
		<hr/> 8
24	Carlisle Barracks	2
	IGMR	4
	Tobyhanna	2
		<hr/> 8
25	Ft Dix	3
	Bayonne	2
	Ft Monmouth	2
	Ft Hamilton	3
	West Point	4
	Defense Depot, Philadelphia	1
	Picatinny	2
		<hr/> 17

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
26	Ft Devens	2
	Natick Laboratories	2
	Watervliet	1
	Ft Drum	2
	Seneca Army Depot	2
	New Cumberland Army Depot	2
		<hr/> 11
27	Ft Benjamin Harrison	3
	Lexington-Blue Grass Army Depot	2
	Defense Supply, Columbus	1
	Defense Supply, Dayton	2
	Selfridge - TACOM	4
	Ft Sheridan	2
	Ft McCoy	2
		<hr/> 16

CONUS Front Doors - Total = 300

FAR EAST AREA INSTALLATION
CLUB ACTIVITIES

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
1	Camp Humphreys	21
	2d Infantry Division	43
	4th Missile Command	6
	I Corps	8
		<hr/> 78
2	Taegu	9
	Pusan	4
		<hr/> 13
3	Yongsan	21
4	Taiwan	2
	Okinawa	1
		<hr/> 3

USA Pacific Front Doors - Total = 115

EUROPE AREA INSTALLATION
CLUB ACTIVITIES

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
1	Frankfurt	10
	Baumholder	6
	Darmstadt	8
	Fulda	5
	Giessen	13
	Hanau	16
	Mainz	4
	Wiesbaden	7
	Aschaffenburg	4
	Schweinfurt	6
	Wuerzburg	14
	Bad Kreuznach	6
		<hr/> 99
2	Mannheim	5
	Kaiserslautern	6
	Heidelberg	6
	Pirmasens	4
	Worms	3
	Zweibrucken	3
		<hr/> 27
3	Stuttgart	15
	Goeppingen	8
	Heilbronn	6
	Schwaebisch Hall	2
	Karlsruhe	6
	EUCOM	2
		<hr/> 39
4	Nuernberg	17
	Ansbach	11
	Bamberg	4
	Grafenwohr	19
		<hr/> 51
5	Augsburg	4
	Bad Toelz	2
	Munich	1
	Neu Ulm	4
	Oberammergau	1
		<hr/> 12

<u>Area Number</u>	<u>Installation</u>	<u>Number of Activities</u>
6	Bremerhaven	3
7	Berlin	6
8	Vicenza	3
	Tehran	5
	Dhahran	4
	Leghorn	1
	Cakmakli	1
		<hr/> 14

USAEUR Front Doors - Total = 251

13A

APPENDIX 13-A

ARMY CLUB FACILITY IMPROVEMENT AND CONSTRUCTION PROGRAM

1. Purpose. This appendix identifies the need for and proposes an Army-wide club facility improvement and construction loan program.

2. Background.

a. Basic responsibility for developing and planning club facility improvement and/or construction projects is vested in installation commanders. Club projects may be funded from installation MCA; OMA; club nonappropriated funds; or loan funds of central Army and MACOM club funds and, in some instances, a mixture thereof. All projects are subject to approval based on dollar thresholds of project cost. Currently, projects requiring financial assistance are evaluated in relation to the needs of the installation but not in relation to the overall needs of the Army.

b. The Army Club Fund (ACF) administers a club facility improvement program for clubs in the United States. Loan funds of the ACF are replenished at the rate of \$500,000 annually by a surcharge to the assessment for clubs in the United States.

c. The USAREUR Club Fund administers a club loan program that is independent of the DA program. Funds for that program are generated within USAREUR. USAREUR does not contribute to the ACF for replenishment of DA loan funds.

d. Clubs of other overseas MACOM's have not had loan requirements and have been able to finance club facility improvement and construction requirements from accumulated earnings of individual clubs. They do not contribute to the ACF for replenishment of DA loan funds. Likewise, they have not required loans from the Army Club Fund.

e. The physical condition of clubs Army-wide is poor. Many clubs are still housed in World War II buildings that are uneconomical to repair and maintain, are inadequate and should be replaced. Many clubs do not have sufficient resources to fully fund needed facility improvement and construction requirements. Consequently, these clubs will require financial assistance from central Army and MACOM club fund loan programs. A review of club capital expenditure budgets shows total programmed expenditures of \$86.6 million for fiscal years 1978-1982. Of this total, \$58.5 million is programmed for renovation and construction of facilities, and \$28.1 million is for purchase of furnishing and equipment.

f. As of mid year CY 77, the Army Club Fund cash projection through 30 June 1979 showed a new loan approval margin of \$8.6 million presently and \$13.7 million in 1979. Potential new requirements total \$18.9 million. This projection is shown in Figure 1, below:

FIGURE 1
ARMY CLUB FUND

Cash Projection o/a June 1979
(\$ in millions)

Lendable Funds on Hand	\$12.6
Due Clubs on Approved Loans	<u>- 4.0</u>
Cash Now Available for New Loans	8.6
Loan Repayments (next 24 months)	+ 2.6
ACF Net Income (next 24 months)	<u>+ 2.5</u>
New Loan Approvals Margin	13.7
Applications in Process	<u>- 0.0</u>
Safe New Loan Approval Margin	13.7
Potential New Requirements	<u>18.9</u>
Potential Deficit	\$ 5.2

g. At present, installations which have club facility improvement projects with costs in excess of \$75,000 are required to include the project in MCA budgets. After a determination of the availability of appropriated funds, the project is programed for completion, or returned to the installation as an unfunded item. At this point, installations may submit the project and supporting data, with a request for a loan to the Army Club Fund or the MACOM club fund as appropriate.

h. This new requirement projection does not include additional requirements which may be submitted by MACOM's when CMD's Club Facility Improvement Survey is coordinated.

i. A summary of the fund requirements for clubs in the United States outlined above reveals that a deficit of at least \$14 million would exist between requirements and assets under Alternative I, II, or III in a totally NAF funded environment. This is a worse case estimation. As of 30 June 1977, 11 of 23 clubs with loans were not generating sufficient net income (before depreciation) to meet their loan obligations. This indicates that the ACF may not have funds available in the amounts projected. Additionally, the construction requirements may be understated since additional projects will probably be generated by MACOM and installation planning processes. The \$14 million deficit previously discussed is shown in Figure 2 of Chapter 13.

3. Policy.

a. AR 230-60 prescribes policy for submission and approval of loans by clubs in the United States from the ACF for club facility improvement and construction projects. Basically, that policy provides for approval of loans for valid substantiated club projects if loan funds are available and if the club concerned can predictably repay the loan in a reasonable period of time, generally within five years. (Club loans policy in USAREUR is published in USAREUR Supplement to AR 230-60.)

b. This five year repayment period has limited the number of loans made by the ACF. Commanders have been reluctant to request a loan knowing that their clubs could not meet a five or even ten year repayment schedule. Additionally, when installation commanders have submitted requests for loans and after thorough analysis, it was determined that their clubs could not meet a five to ten year repayment schedule, these loans have been disapproved. In many instances, clubs Army-wide are not being managed to produce net income consistent with their potential. As such, they are failing the Army club system to the extent that they could be doing better financially and are not. Clubs could be providing improved quality of goods, services, and physical plants and are not. Clubs with loans could be repaying their loans sooner thus making repaid loan funds available for loan to other clubs with loan requirements.

c. With the exception of a minor contribution from clubs in the United States to the assessment program, the loan program of the ACF has no additional source of replenishment.

d. Changes in policy for loans from the ACF are necessary to provide loan repayment at an accelerated rate as clubs increase their earnings and funding of the DA Club Facility Improvement and Construction Program.

4. MACOM Involvement. Alternative I (Army Club Command) and Alternative II (CMD, TAGCEN (Modified)) provide for a Board of Directors and a Board of Advisors respectively composed of representatives from MACOM's. These boards will provide direct MACOM involvement in the review and establishment of priorities for Army-wide club facility from the ACF.

5. Procedures.

a. Initially, CMD will provide each MACOM within the United States the results of its club facility improvement requirements survey. All MACOM's and installations would be advised of DA's concern for upgrading club facilities and measures to make nonappropriated fund loans more accessible. All MACOM's will be asked to evaluate HQDA proposed criteria for prioritization of Army-wide club projects that will require loan assistance. Installations would be required to submit revised 5-year club capital expenditure budgets (CEB). Clubs in USAREUR will submit their CEB's to the Europe Region Office, CMD, TAGCEN, for review and determination of club project loan requirements from the USAREUR Club Fund. Results of this determination will be furnished to HQ USAREUR for establishment of USAREUR-wide loan priorities. Priority list will then be forwarded to HQDA, CMD, TAGCEN. Once received at HQDA, all other club budget projections would be analyzed, and projects requiring loans from the Army Club Fund would be evaluated against criteria established based on commander's comments. Based on this evaluation, a HQDA priority list of Army-wide club projects requiring loan assistance from ACF would be prepared for review and approval by the Board of Advisors or Directors. The list, approved by the board, appended by the USAREUR priority list, would become the HQDA Club Improvement and Construction Loan Program Priority List. Subsequent requests would be checked against the priority list and approved by TAG and DCSPER, HQ USAREUR, respectively. Loan requests for projects not included on the list would be referred to the DA board and to the DCSPER, HQ USAREUR, for appropriate review and integration into respective priority lists.

b. Under Alternative I, the Board of Directors of the Army Club Command would constitute a loan review board. Under Alternative II, the Board of Advisors and the USAREUR Club Fund Board would perform the same function. In both cases, the boards in the United States would be made up of representatives of the major Army commands, with a DA representative serving as chairperson. The Comptroller, TAGCEN, would serve as a nonvoting member. The board would meet periodically to review capital expenditure budget 5-year projections, which require loans. The board would determine priorities and integrate the projects into the DA list.

c. The procedures and channels now in effect for club improvement and construction loan approval would be used. Information now submitted would be augmented as determined by the DA board, TAGCEN, and HQ USAREUR Club Fund.

d. Upon receipt at CMD, TAGCEN, loan requests to the ACF and allied papers would be staffed and evaluated against the criteria approved by the board.

e. Upon completion of actions by the DA board, the request would be returned to TAGCEN for appropriate funding action, placement in a priority file for action as funds become available, or in the case of disapproval, returned through command channels to the requesting installation with an explanation of the board's action and further instructions, as appropriate.

5. Approval/Criteria. A uniform criteria would be applied to all construction/major renovation requests, as the basis for determining their merit. The criteria should include:

- a. Average monthly expenditure per member/month.
- b. Age and condition of the present facility.
- c. Conformance to DOD construction criteria for space authorization.
- d. Installation mission and number of troops supported.
- e. Number of club members.
- f. Current and projected demographics of the installation.
- g. Description of the civilian community and its recreational/food and beverage facilities, within a 25 mile radius of the installation.
- h. Financial condition of the club, with key management indicators highlighted.
- i. Financial projection and loan repayment capability.
- j. Evaluation of current food, beverage, and entertainment programs.
- k. Audit/assistance/inspection compliance records over the past three years.

6. Conclusion.

A DA facility improvement priority list is needed to organize and implement an Army-wide upgrading effort in the future environment of limited resources.

7. Recommendations.

a. That oversea MACOM's establish priority lists for renovation/construction of club facilities within their jurisdiction.

b. That, based on MACOM priorities and club capital expenditure budgets, a DA club construction loan priority list be established.

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BIBLIOGRAPHY

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REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) ARMY CLUB MANAGEMENT STUDY 1977. Volume II, Appendices.		5. TYPE OF REPORT & PERIOD COVERED FINAL Mar 77 to Apr 78
7. AUTHOR(s) COL JOHN H. BATTIS, Proj Mgr Study Group Members: MAJ R. Henderson, MAJ F. Lee Mr. R. Belgrano, Mr. Helcher, Mr. J. Najarian		6. PERFORMING ORG. REPORT NUMBER
9. PERFORMING ORGANIZATION NAME AND ADDRESS DAAG-CM CLUB MANAGEMENT DIRECTORATE THE ADJUTANT GENERAL CENTER FORRESTAL BUILDING, WASHINGTON, DC 20314		8. CONTRACT OR GRANT NUMBER(s) NA
11. CONTROLLING OFFICE NAME AND ADDRESS DAAG-CM CLUB MANAGEMENT DIRECTORATE THE ADJUTANT GENERAL CENTER FORRESTAL BLDG, WASHINGTON, DC 20314		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS NA
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office) 12/336p.		12. REPORT DATE 27 April 1978
		13. NUMBER OF PAGES 500
		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE NA
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release, distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report) SAME.		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) CLUB MANAGEMENT ARMY CLUB MANAGEMENT ARMY CLUB COMMAND SYSTEM METHODS OF FUNDING ARMY CLUB SYSTEM STAFF OF ARMY CLUBS ARMY CLUBS CATEGORY II, III IV FUNDS (DODI 70000.12)		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) The Army Club Management Study 1977 was conducted to review forces impacting upon clubs in the current and future environment, evaluate the Army club system, examine and evaluate alternative organizational structures for the management of Army clubs, address the cost impact of significant curtailment or withdrawal of appropriated fund support for clubs and the need to generate an Army-wide club facility improvement and construction program.		